

Official Statement Dated June 18, 2002

NEW ISSUE - Book Entry Only

Moody's Rating: MIG-1
Standard & Poor's Rating: SP-1+
Fitch IBCA Rating: F1+
(See "Ratings" herein)

In the opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Notes are not private activity bonds. Bond counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed on the date hereof, interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the extent that such interest is excluded from gross income for federal income tax purposes. Bond counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX EXEMPTION" herein.



\$350,000,000
STATE OF IDAHO
TAX ANTICIPATION NOTES, SERIES 2002

Dated: Date of Delivery

Due: June 30, 2003

Interest Rate 3.00%
Priced to Yield 1.63%

The Notes initially will be issued in registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry form in denominations of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will be dated the date of delivery, and will not be subject to redemption prior to maturity. Principal and interest will be payable when due to DTC or its nominee by U.S. Bank National Association, Salt Lake City, Utah, as Escrow/Paying Agent as described under "Description of the Notes--Book-Entry Only System."

Principal thereof and interest on the Notes are payable from the appropriation of General Tax Revenues (as defined herein) collected by the State during the fourth quarter of the 2003 fiscal year, sufficient to pay principal thereof and interest thereon as the same become due. In addition, the Notes are secured by the faith and credit of the State of Idaho.

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of validity and legality by Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, bond counsel, and to certain other conditions. The Notes will be available for delivery to DTC in New York, New York, on or about July 1, 2002.

BANC OF AMERICA SECURITIES LLC
U.S. BANCORP PIPER JAFFRAY
ZIONS FIRST NATIONAL BANK

STATE OFFICIALS

**The Honorable Ron G. Crane
STATE TREASURER**

The Honorable Dirk Kempthorne
The Honorable Jack Riggs
The Honorable Pete T. Cenarrusa
The Honorable J.D. Williams
The Honorable Alan G. Lance
The Honorable Marilyn Howard

Governor
Lieutenant Governor
Secretary of State
State Controller
Attorney General
Superintendent of Public Instruction

FINANCIAL ADVISOR

KEYBANK NATIONAL ASSOCIATION

BOND COUNSEL

MOORE SMITH BUXTON & TURCKE, CHARTERED

UNDERWRITERS

BANC OF AMERICA SECURITIES LLC
U.S. BANCORP PIPER JAFFRAY
ZIONS FIRST NATIONAL BANK

ESCROW/PAYING AGENT

U.S. BANK NATIONAL ASSOCIATION

RON G. CRANE
STATE TREASURER



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STATE OF IDAHO
OFFICE OF THE STATE TREASURER

ROOM 102 STATEHOUSE
P.O. Box 83720
BOISE, IDAHO 83720-0091

June, 2002

Dear Investor,

In the mid 1970's a famous pop singer sang a song entitled "Raindrops Keep Fallin On My Head." The lyrics to that song could apply to the economic condition in the great State of Idaho. After eleven straight years of economic expansion, that made Idaho one of the five fastest growing states in the nation, the national slowdown has finally reached us. While we have remained a "bright star" among states in the northwest, we are not immune from the effects of a national economy.

The net result, of course, has been less revenue flowing into the state's coffers. This has created no small amount of consternation on the part of the Governor and the legislature. But, in true Idaho fashion, state leadership took quick action.

In August 2001, (just one month into the current fiscal year), the Governor issued a 2% holdback. In November 2001, another 1% holdback as instituted. And in January of this year, the legislature began wrestling with the shortfall. Tough choices and decisions were made and all agencies of state government, including the public school system, received negative supplemental appropriations reflecting the current state of the economy.

Pleasant? No. Prudent? Yes. The philosophy of our state can be summed up this way: "When the average household budget must be trimmed, then government must tighten it's belt, as well."

We are poised for economic recovery. Already signs are pointing toward an upturn. Although the incoming numbers have yet to reflect it, we know "the sun will break through the economic clouds and shine again, soon!"

Sincerely,

A handwritten signature in dark ink, appearing to read "Ron G. Crane".

Ron G. Crane
State Treasurer

Celebrate
IDAHO
1890 • CENTENNIAL • 1990

No person has been authorized by the State of Idaho to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Idaho since the date hereof.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

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SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, AND THE OFFERING OF THE STATE OF IDAHO TAX ANTICIPATION NOTES, SERIES 2002, REFERRED TO HEREIN TO POTENTIAL PURCHASERS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$350,000,000. The Notes will be dated the date of delivery (which is anticipated to be approximately July 1, 2002), mature on June 30, 2003, and are not subject to redemption prior to maturity. It is anticipated that the Notes will be issued in book-entry-only form, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry-only form in the denomination of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the Notes. The beneficial ownership of interests in the Notes is expected to be shown on, and the transfer of such ownership is expected to be effected through, records maintained by DTC and the Participants and Indirect Participants which are related to entries on the book-entry-only system of DTC. If the book-entry-only system is discontinued, the Notes will be issued to the purchasers thereof in the form of bearer certificates.

Purpose of the Notes

The Notes are being issued to fund the State of Idaho's anticipated cash flow shortfalls during the fiscal year commencing July 1, 2002, and ending on June 30, 2003 (the "2003 fiscal year"). Proceeds of the sale of the Notes will be deposited in the General Fund of the State and will be used to alleviate temporary cash flow shortfalls and to finance the State of Idaho's daily operations in anticipation of the receipt of certain tax revenues of the State to be collected during the fourth quarter of the 2003 fiscal year.

Authority for the Notes

The Notes will be issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho, and Chapter 32, Title 63, Idaho Code, and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 12, 2002, and a Plan of Financing approved by the Treasurer of the State of Idaho.

Security and Sources of Payment for the Notes

The Notes are secured by (i) an irrevocable pledge of the income and revenues from taxes, whether specific, ad valorem, excise, income, franchise, or license, to be received by the State during the fourth quarter of the 2003 fiscal year (the State estimates it will receive \$644,753,000 during the fourth quarter of the 2003 fiscal year); (ii) to the extent necessary, from other borrowable resources of the State (described in the Official Statement); and (iii) the solemn pledge of the faith and credit of the State.

Deposit of Pledged Monies for the Notes

A "Tax Anticipation Notes, Series 2002, Note Payment Account" (the "Note Payment Account") will be created in the "Tax Anticipation Note Redemption Fund" created by Section 63-3203, Idaho Code, into which will be deposited as received the revenues described above until the monies therein and investment earnings earned or to be earned thereon shall be fully sufficient to pay the principal of and interest on the Notes at maturity. Any monies so deposited into the Note Payment Account are irrevocably appropriated and set aside solely for payment of principal of and interest on the Notes.

Tax Exemption

In the opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Notes are not private activity bonds. Bond counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed on the date hereof, interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the extent that such interest is excluded from gross income for federal income tax purposes. Bond counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX EXEMPTION" herein.

OFFICIAL STATEMENT

\$350,000,000

STATE OF IDAHO

TAX ANTICIPATION NOTES, SERIES 2002

INTRODUCTION

This Official Statement of the State of Idaho (the "State") presents certain information in connection with the issuance of \$350,000,000 aggregate principal amount of Tax Anticipation Notes, Series 2002 (the "Notes"). None of the references to or summaries of the laws of the State or of any documents referred to in this Official Statement purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof.

THE NOTES

Description of the Notes

The Notes are being issued to fund the State's anticipated cash flow shortfalls during the fiscal year ending June 30, 2003 (the "2003 fiscal year"). The proceeds of the sale of the Notes will be deposited in the General Fund of the State (the "General Fund") and will be used to alleviate temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues (the "General Tax Revenues") of the State to be collected during the fourth quarter of the 2003 fiscal year ending June 30, 2003 (see "GENERAL TAX REVENUES"). General Tax Revenues consist primarily of Individual Income, Corporate Income Taxes, and Sales Tax. The Notes are payable from and secured by: (i) an irrevocable pledge of so much of the General Tax Revenues to be received during the fourth quarter of the 2003 fiscal year as may be necessary to pay the principal of and interest on the Notes; (ii) the State Treasurer's covenant to transfer, if necessary, any monies available (the "Borrowable Cash Resources" described hereafter) to the Note Payment Account established for the payment of the Notes, in an amount required to fully pay the principal of and interest on the Notes at maturity; and (iii) the solemn pledge of the faith and credit of the State for the payment in full of the principal of and interest on the Notes.

The Notes will be dated the date of delivery, and will mature June 30, 2003. The Notes will bear interest at 3.00% per annum, payable at maturity, calculated on the basis of a 30-day month, 360-day year. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Notes. The ownership of not more than two fully registered global Notes for the entire aggregate principal amount of the Notes will be registered in the name of Cede & Co. as nominee of DTC. The Notes are not subject to redemption prior to maturity. Principal of and interest on the Notes will be payable at maturity by U.S. Bank National Association, Salt Lake City, Utah, Paying Agent, to DTC or its nominee in lawful money of the United States for distribution to the Participants, Indirect Participants and Beneficial Owners.

Book-Entry-Only System

The following information has been provided by DTC. The State makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Participants (as hereinafter defined).

The Depository Trust Company, (“DTC”), New York, New York, will act as securities depository for the Notes. The Notes will be initially issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, not more than two fully-registered Note certificates will be issued in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under New York Banking Law, a “banking organization” within the meaning of New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holding from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interest in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), issuer or agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as note depository with respect to the Notes at any time by giving reasonable notice to the Issuer or Agent. Under such circumstances, in the event that a successor note depository is not obtained, Note certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Note depository). In that event, Note certificates will be printed and delivered.

With respect to Notes registered on the Note Register in the name of Cede & Co., as nominee of DTC, the Issuer or Agent shall have no responsibility or obligation to any Participant or to any person on behalf of whom a Participant holds an interest in the Notes with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Participant with respect to any ownership interest in the Notes; (ii) the delivery to any Participant or any

other person, other than a noteholder as shown on the Note Register, of any notice with respect to the Notes, including any notice of redemption; (iii) the payment to any Participant or any other person, other than a noteholder as shown on the Note Register, of any amount with respect to principal of, premium, if any, or interest on the Notes; (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Notes; (v) any consent given or action taken by DTC as registered owner, or (vi) any other matter. The Issuer or Agent may treat and consider Cede & Co., in whose name each Note is registered on the Note Register, as the holder and absolute owner of such Note for the purpose of payment of principal and interest, for the purpose of giving notices of redemption and other matters with respect to such Note, for the purpose of registering transfers with respect to such Note, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall include the person for whom the Participant acquires an interest in the Notes.

Authorization

The Notes are being issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho (the "Constitution"), and Chapter 32, Title 63, of the Idaho Code (the "Act"), and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 12, 2002, and a Plan of Financing approved by the Treasurer of the State of Idaho.

The Act allows the State Treasurer, with approval of the State Board of Examiners, a constitutionally established board comprised of the Governor, the Secretary of State and the Attorney General, with the State Controller as ex officio Secretary (the "Board"), to borrow monies in anticipation of General Tax Revenues in a principal sum not to exceed 75% of the income or revenue from such taxes as the State reasonably anticipates to be collected during the fiscal year. The Board has approved, by written resolution, adopted on March 12, 2002, such borrowings during the 2003 fiscal year in an amount not to exceed \$1,350,360,000. General Tax Revenues anticipated to be collected during the 2003 fiscal year are expected to be not less than \$1,800,480,000 thereby imposing a limit of \$1,350,360,000 on such borrowings for the 2003 fiscal year.

Pursuant to the Act, all Notes issued by the State must mature not later than the end of the then current fiscal year. The State does not currently plan to issue additional External Notes during the 2003 fiscal year, but reserves the right to do so (see "Internal and External Notes").

The Plan of Financing (see "Appendix B"), adopted by the State Treasurer, calls for the issuance of \$350,000,000 Series 2002 Notes in anticipation of the income and revenues from taxes to be received during the fourth quarter of the 2003 fiscal year (April, May and June 2003). These monies may include specific, ad valorem, excise, income, franchise or license revenues. The State anticipates receiving a total of \$644,753,000 in the fourth quarter of the 2003 fiscal year. The \$350,000,000 in Notes to be issued is equal to 54.3% of anticipated 2003 fiscal year fourth quarter revenues and is within the 75% issuance test as set forth in the Act. Set forth in Table 1 is a description of the specific revenue and amounts that the State estimates will be received in the fourth quarter of the 2003 fiscal year (see "Security and Source of Payment"). The revenues anticipated for the 2003 fiscal year are shown on a monthly basis in Table 4 and on a quarterly basis in Table 5.

Use of Proceeds

Timing differences between revenue collections and disbursements have caused the State to engage in interfund borrowing to fund General Fund expenditures (see "Internal and External Notes"). The State Treasurer has determined to issue the Notes to meet the anticipated cash flow requirements for the 2003 fiscal year resulting from the imbalance in timing between receipts and expenditures.

The State's major General Fund revenue sources include individual income tax, sales tax and corporate income tax. Together, these three categories comprise 93.02% of total General Fund revenues. General Fund revenues are received in relatively uneven amounts throughout the fiscal year because of various factors regarding the timing of individual income tax collections and refunds, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. As a result, the State anticipates that it will receive 44.50% of General Fund revenues in the first six months of the 2003 fiscal year. However, disbursements during the same period account for 57.51% of total expenditures.

The State's single largest item of expenditure is for public school aid which totals \$920.0 million, or approximately 46.70% of spending. The school aid payments are disbursed in eight payments, four of which occur in the first five months of the fiscal year for a total of \$533.9 million, or 58.03% of total school aid payments. These payments are made directly to the school districts and in the 2003 fiscal year are currently scheduled as follows:

	<u>Amount</u>
July 2002	\$56,657,200
August 2002	159,158,560
October 2002	159,158,560
November 2002	158,908,560
December 2002	33,900,000
January 2003	250,000
February 2003	158,908,560
May 2003	159,158,560
<u>June 2003</u>	<u>33,900,000</u>
TOTAL	\$920,000,000

Health and Welfare expenditures, the second largest single expenditure item, totals \$359.6 million, or 18.26% of the budget. The third largest expenditure item is aid to higher education, for a total of \$213.6 million which is 10.84% of the total 2003 fiscal year budget (see Table 9 - General Fund Summary of the 2003 Fiscal Year Budget).

Proceeds received by the State from the sale of the Notes will be deposited in the General Fund and used to meet expenses required to be paid from the General Fund during the 2003 fiscal year.

The State has covenanted to comply with the provisions of the Internal Revenue Code of 1986 (the "Code") which are necessary for interest paid on the Notes to be excluded from gross income for purposes of federal income taxation. The State has projected that the cumulative cash flow deficit to be financed by the Notes will exceed 90% of the proceeds of the Notes within six months of the date of the Notes. In the event that the gross proceeds of the Notes are not

expended (within the meaning of Section 148(f)(4)(B) of the Code) within six months of the date of issuance of the Notes, the State will cause to be rebated to the United States an amount equal to the excess earnings on all non-purpose investments over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the Notes, plus any income attributable to such excess.

Security and Sources of Payment

Each Note when duly issued and paid for will constitute a valid and binding obligation of the State of Idaho. The faith and credit of the State of Idaho are solemnly pledged for the payment of the Notes.

There is established in the "Tax Anticipation Note Redemption Fund" created by Section 63-3203, Idaho Code, a special fund and account known as the "Tax Anticipation Notes, Series 2002, Note Payment Account" (the "Note Payment Account"). The Note Payment Account shall be held and invested at the direction of the State Treasurer by U.S. Bank National Association, Salt Lake City, Utah, as escrow agent (the "Escrow Agent"), pursuant to the provisions of an escrow agreement. Monies in the Note Payment Account will be invested in direct obligations of the Federal Government and in certain fully collateralized investments permitted under Section 67-1210, Idaho Code. The Treasurer has covenanted to invest all monies in the Note Payment Account in securities that mature no later than June 30, 2003. The Treasurer also has covenanted not to invest monies in the Note Payment Account in debt obligations of the State, its political subdivisions, or taxing districts or authorities.

In accordance with the Act, the Notes are payable from pledged fourth quarter tax revenues and, to the extent necessary, from other borrowable resources of the State. All income and revenues from the taxes collected during the fourth quarter of the 2003 fiscal year (April, May and June 2003) shall be deposited into the Note Payment Account as received until the monies therein together with investment earnings earned or to be earned thereon shall be sufficient to pay principal of and interest on the Notes at maturity (see "Table 4 - State of Idaho Projected General Fund Cash Flow for the Fiscal Year Ending June 30, 2003" and "General Tax Revenues"). The State Treasurer may, but is not required to by the Plan of Financing, deposit any income and revenues from taxes received prior to the fourth quarter of the 2003 fiscal year into the Note Payment Account, and any monies so deposited into the Note Payment Account are irrevocably appropriated and set aside solely for payment of principal of and interest on the Notes. The State has projected the receipt of the following revenues to pay principal of and interest on the Notes.

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TABLE 1
Estimated Fourth Quarter Revenues By Source
For the Fiscal Year Ending June 30, 2003
(000's omitted)

Fourth Quarter Revenues

	APRIL	MAY	JUNE	TOTAL
Individual Income Tax	\$241,468	\$60,242	\$87,172	\$388,882
Corporate Income Tax	18,774	5,850	2,935	27,559
Sales Tax	56,157	55,132	60,802	172,091
Product Taxes	1,664	1,648	1,787	5,099
Miscellaneous Revenues	2,331	3,524	45,267	51,122
Non-Revenue Receipts	---	---	---	---
Total Tax Revenues	\$320,394	\$126,396	\$197,963	\$644,753

The State Treasurer has covenanted that, in the event there are not on deposit in the Note Payment Account on or before June 30, 2003, tax revenues, together with investment earnings thereon, fully sufficient to pay the principal of and interest on the Notes at maturity, then the State Treasurer will borrow from other funds under the control of the State Treasurer (see "Borrowable Cash Resources"), subject to the requirement that such amounts be repaid when General Fund monies are available or take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient to pay the principal of and interest on the Notes at maturity. The FY 2003 fourth quarter revenues of \$644.8 million provide 1.84 to 1 coverage for the Notes. Borrowable Cash Resources of \$1.534 billion provide 4.38 to 1 in additional coverage for the Notes.

Borrowable Cash Resources

The State Treasurer, pursuant to Section 67-1212, Idaho Code, is authorized to engage in short-term borrowings from cash balances in other funds in the State Treasury as identified in Table 7 to meet cash flow shortfalls in the General Fund, subject to the requirement that such amounts be repaid when General Fund monies are available. In the 2003 fiscal year, cash balances in the various funds maintained in the State Treasury are estimated to be \$1.534 billion at June 30, 2003. Set forth in Tables 6 and 7 are the actual internal cash borrowing resources available to the State Treasurer for the 1998-2002 (estimated for April, May and June, 2002) fiscal years and the estimated internal cash borrowing resources available for the 2003 fiscal year.

In prior years, the balance available at year-end in other funds controlled by the State Treasurer has been: estimated 2002 fiscal year 1,711.8 million; 2001 fiscal year \$1,754.1 million; 2000 fiscal year \$1,416.4 million; 1999 fiscal year \$1,466.8 million; and 1998 fiscal year \$1,250.7 million.

Authorized Investments

State law and the Treasurer's Investment Policy require that Note proceeds be invested in direct obligations of the Federal Government, FDIC insured certificates of deposit from banks located in the State, collateralized repurchase agreements or other investment instruments as specified in Section 67-1210 of the Idaho Code.

The average maturity of the State's investment portfolio was 447 days at April 9, 2002.

Internal and External Notes

If the General Fund cash flow shortages exist for more than 30 days, the State Treasurer issues a tax anticipation note to correct the shortfall. The State Treasurer has issued internal tax anticipation notes which are notes issued by the General Fund to borrow monies from other available State funds or accounts, and which are subject to the requirement that such amounts be repaid when General Fund monies are available. In each Fiscal Year from 1996 through 1999 the State issued one or two Internal Notes. These Notes were outstanding for periods of 12-66 days. They were all repaid by June 30 of the respective years. No internal notes were issued in Fiscal Years 2000 and 2001. For Fiscal Year 2002 the State issued an Internal Note for \$80,000,000 on March 22, 2002. The State does not anticipate issuing any further Internal Notes for Fiscal Year 2002. The 2002 Internal Note will be repaid by June 30, 2002. In the past ten fiscal years the State Treasurer has issued External Tax Anticipation Notes (the "External Notes") which were sold in the open market. Table 2 sets forth the External Notes issued by the State Treasurer for the past ten fiscal years.

**TABLE 2
STATE OF IDAHO
EXTERNAL NOTES
Fiscal Years 1992-2001**

FISCAL YEAR	EXTERNAL NOTES
1992	\$160,000,000
1993	170,000,000
1994	180,000,000
1995	200,000,000
1996	220,000,000
1997	300,000,000
1998	300,000,000
1999	300,000,000
2000	200,000,000
2001	250,000,000

Source: Idaho State Treasurer

General Fund Cash Flow

The tables set forth on the following pages present the actual to-date and projected cash flow of the General Fund for May and June of the 2002 fiscal year and the projected cash flow for the 2003 fiscal year by major categories of receipts and disbursements. The 2003 fiscal year cash flow table evidences that all proceeds of the Notes are expected to have been expended within six months of their receipt. The cash flow tables should be read in conjunction with other information concerning the 2003 fiscal year budget. Certain assumptions regarding the 2003 fiscal year cash flow statements are set forth below and on the page following Table 4 (see "Assumptions Underlying The Monthly Allocation of 2003 Fiscal Year General Fund Disbursements").

Series 2001 Notes

The State issued \$250 million in Tax Anticipation Notes, Series 2001 (the "2001 Notes"), on July 2, 2001, which mature on June 28, 2002.

The 2001 Notes were issued in anticipation of the income and revenues and taxes to be received by the General Fund during the fourth quarter of the 2002 fiscal year. In accordance with the Act, all income and revenues from the taxes collected during the fourth quarter of the 2002 fiscal year shall be deposited into the Note Payment Account as received until the monies therein together with investment earnings shall be sufficient to pay principal and interest on the Notes at maturity.

Sufficient monies to redeem the Series 2001 Notes with full payment of interest at maturity have been deposited into the Note Payment Account held by the Escrow Agent. The State Treasurer deposited into the Note Payment Account by April 24, 2001, a total of \$259,270,833. These monies will be transferred to the paying agent on June 28, 2002, for payment of the Series 2001 Notes.

Fiscal Year 2003 Cash Flow Deficit

The 2003 fiscal year General Fund cash flow (before borrowing) is estimated to have a negative balance at the end of the months of October through March and May with the November month end cash deficit estimated to be \$297,761,000. (See Table 4 - "General Fund Cash Flow.") However, each month's mid-month cash deficit is estimated to be greater than the end-of-the-month deficit balance. This situation occurs because only approximately 20% of the month's revenues are received during the first two weeks while, on average, 80% of the month's expenditures occur during the same period. The majority of taxes are received during the second half of the month because of statutorily established dates for tax payments. A primary factor in the heavy percentage of first half expenditures are the required dates for General Fund transfers to the public schools. The mid-month deficit projected for November for the 2003 fiscal year is \$368,471,000 occurring on November 15, 2002.

Sales Tax	60,428	56,168	57,937	57,047	53,789	52,600	62,556	45,285	46,916	53,657	53,107	57,882	657,362
Product Taxes	1,814	1,817	2,014	1,657	1,872	1,612	1,671	1,681	1,585	1,694	1,708	1,607	20,930
Miscellaneous Revenues	10,078	4,163	11,272	5,369	2,531	8,597	2,902	4,543	8,163	2,805	3,132	48,000	111,556
TOTAL REVENUES	130,707	120,169	142,254	129,578	112,196	143,774	164,017	105,962	117,712	248,998	113,409	236,805	1,765,581
Transfers to General Fund (One Time) ¹								336	1,300	41,336		10,000	52,972
Non-Revenue Receipts	569	517	370	781	596	671	635	706	557	570	716	286	7,176
TAN - Interest (offset Int Exp)	0	19	24	276	84	34	1,758	4,342	76	538	134	1,986	9,271
TOTAL REVENUE/RECEIPTS	131,277	120,705	142,647	130,635	112,877	144,679	166,410	111,349	119,645	291,441	114,259	249,077	1,835,001
DISBURSEMENTS:													
Expenditures:													
Personnel Costs	32,531	48,876	35,459	35,687	32,346	32,778	31,795	31,757	45,636	32,231	26,769	26,768	412,633
Operating Costs	18,885	15,146	10,754	11,631	12,841	8,854	10,390	6,196	8,806	9,887	8,752	10,922	132,865
Capital Outlay	5,916	2,411	1,772	2,850	1,276	1,621	131	1,032	1,083	1,079	1,423	2,113	22,705
Trustee & Benefit Payments	19,231	10,728	15,930	6,645	7,632	7,954	12,057	4,434	5,048	6,196	5,420	8,865	108,141
Op. Transfers - Pub Sch	34,991	166,946	-	166,896	166,946	31,750	-	166,946	1,000	-	142,622	31,750	909,646
Op. Transfers - All Others	69,433	30,219	32,567	37,492	31,009	36,227	34,929	28,423	28,509	33,847	36,272	14,735	413,661
TOTAL EXPENDITURES	180,987	274,326	96,482	261,001	251,849	119,184	89,302	238,787	90,082	83,239	221,258	93,154	1,999,651
Non-Operating disbursements	248	456	632	936	985	555	622	660	744	248	679	409	7,176
TAN - Interest Expense	0	0	0	0	0	0	0	0	0	0	9,271	0	9,271
TOTAL DISBURSEMENTS	181,235	274,782	97,114	261,937	252,835	119,738	89,924	239,447	90,827	83,488	231,208	93,563	2,016,098
END. CASH BAL. BEFORE BORROWING	146,268	(7,809)	37,724	(93,579)	(233,536)	(208,595)	(132,110)	(260,208)	(231,390)	(23,436)	(140,385)	15,130	15,129
BEG. AFTER-BORROWING BAL.	196,226	396,268	242,191	287,724	156,421	16,464	41,405	117,890	(50,208)	17,651	56,564	(80,385)	196,226
BORROWING:													
Internal Notes									80,000			(80,000)	-
External Notes:													
Receipt	250,000												250,000
(Repayment)								(40,000)	(40,959)	(169,041)			(250,000)
TOTAL NET BORROWING	250,000							(40,000)	39,041	(169,041)		(80,000)	(0)
NET RECEIPTS OVER (UNDER) DISB.	(49,958)	(154,077)	45,533	(131,302)	(139,957)	24,941	76,485	(128,096)	28,819	207,954	(116,949)	155,514	(181,097)
END. AFTER-BORROWING CASH BAL	396,268	242,191	287,724	156,421	16,464	41,405	117,890	(50,208)	17,651	56,564	(60,385)	15,129	15,129
NOTES:													
The mid-month deficit for the 2002 fiscal year was \$279,903 on November 21, 2001.													
*) The Idaho Legislature in their 2002 Session authorized the following transfers to the General Fund to be used to balance:													
HB 462 Idaho Code Commission Fund	1,300	Transferred in March											
HB 511 State Insurance Fund	336	Transferred in February											
HB 693 Hazardous Waste Emergency Fund	450	Estimated transfer in June											
HB 701 Capital Endowment Fund	22,000	Transferred in April											
HB 701 Tobacco Settlement (April 2002 Payment)	19,336	Transferred in April											
HB 701 Permanent Building Fund (not to exceed)	80,000	Current 10 million estimate in June is contingent upon June numbers and Board of Equalization action.											
Total Available	123,422												

Source: Division of Financial Management

TABLE 4

Individual Income Tax	37,131	38,240	37,333	62,636	37,236	66,193	110,112	36,746	67,424	241,400	66,242	67,112	897,331
Corporate Income Tax	5,116	4,668	17,163	6,360	2,416	23,075	5,443	4,709	5,412	18,774	5,850	2,935	101,921
Sales Tax	80,597	58,274	59,368	61,895	55,200	54,654	67,224	45,636	48,232	56,157	55,132	60,802	683,171
Product Taxes	1,781	1,772	1,851	1,670	1,679	1,662	1,608	1,487	1,566	1,664	1,648	1,787	20,175
Miscellaneous Revenues	5,435	2,994	11,543	3,013	3,102	10,558	2,781	4,746	6,803	2,331	3,524	45,267	102,097
TOTAL REVENUES	130,080	125,956	147,275	134,976	119,647	170,139	187,168	115,324	129,437	320,394	126,396	197,963	1,904,755
Transfers to General Fund ²	43,200	0	0	0	0	0	6,000	0	0	4,000	0	0	53,200
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE/RECEIPTS	173,280	125,956	147,275	134,976	119,647	170,139	193,168	115,324	129,437	324,394	126,396	197,963	1,957,955
DISBURSEMENTS:													
Expenditures:													
Personnel Costs	35,118	50,092	35,468	34,817	34,235	34,947	48,214	34,184	34,756	35,018	30,626	30,098	437,553
Operating Costs	13,210	11,874	11,342	11,755	11,298	11,489	10,879	9,166	10,796	7,963	8,922	10,556	129,250
Capital Outlay	304	400	254	261	201	213	117	149	128	180	212	420	2,839
Trustee & Benefit Payments	15,144	7,819	10,009	5,892	5,474	6,978	6,258	3,705	4,378	5,812	5,441	3,878	80,588
Op. Transfers - Pub Sch	56,657	159,159	0	159,159	158,909	33,900	250	158,908	0	0	159,158	33,900	920,000
Op. Transfers - All Others	66,703	31,725	32,676	27,134	27,135	31,287	38,083	27,083	32,760	27,083	27,083	30,914	399,666
TOTAL EXPENDITURES	187,136	260,869	89,749	239,018	237,252	118,814	103,801	233,175	82,818	76,056	231,442	109,766	1,969,896
Non-Operating disbursements	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	187,136	260,869	89,749	239,018	237,252	118,814	103,801	233,175	82,818	76,056	231,442	109,766	1,969,896
END. CASH BAL. BEFORE BORROWING	1,273	(133,640)	(76,114)	(180,156)	(297,761) ¹	(246,436)	(157,069)	(274,920)	(228,301)	20,037	(85,009)	3,188	3,188
BEG. AFTER-BORROWING BAL	15,129	351,273	216,360	273,886	169,844	52,239	103,564	192,931	75,080	121,699	49,972	(85,009)	15,129
BORROWING:													
Internal Notes													
External Notes:													
Receipt	350,000												350,000
(Repayment)										(320,065)	(29,935)		(350,000)
TOTAL NET BORROWING	350,000	0	0	0	0	0	0	0	0	(320,065)	(29,935)	0	0
NET RECEIPTS OVER (UNDER) DISB.	(13,856)	(134,913)	57,526	(104,042)	(117,605)	51,325	89,367	(117,851)	46,619	248,338	(105,046)	88,197	(11,941)
END. AFTER-BORROWING CASH BAL	351,273	216,360	273,886	169,844	52,239	103,564	192,931	75,080	121,699	49,972	(85,009) ³	3,188	3,188

¹ The projected mid-month deficit for the 2003 fiscal year is \$ 368,471 on November 15, 2002

² Transfers to General Fund (One Time Funding)

SB 1517 - \$50,100; Budget Stabilization - 26,700 in July; Perm Building Fund - 7,000 in July; Capitol Endowment - 6,400 in July; and Master Tobacco Settlement - 10,000 upon receipt
HB 693 - Water Pollution Control Fund - \$3,000 in July; and HB 453 - Idaho Code Commission - \$100 in July

³ Cash Flow in May will be offset through Internal Borrowing

Source: Division of Financial Management

ASSUMPTIONS UNDERLYING THE MONTHLY ALLOCATION OF 2003 FISCAL YEAR GENERAL FUND DISBURSEMENTS

The 2003 fiscal year General Fund disbursements as shown on Table 4 are classified as Personnel Costs, Operating Costs, Capital Outlay, Trustee & Benefit Payments, Operating Transfers - Public Schools and Operating Transfers - All Other. The total amount allocated to each classification was determined by consolidating all the 2003 fiscal year appropriations. Once the total classifications were determined, the monthly allocations were made in the following manner:

Personnel Costs

The total personnel cost appropriation was based on the average of the five previous fiscal years with those months with three paydays assigned to the month in which those pay dates fell.

Operating Costs, Capital Outlay, Trustee and Benefit Payments

These costs were allocated on the basis of the average of the five previous fiscal years' monthly expenditure pattern.

Operating Transfers - Public Schools

Public School aid payments were allocated to the months in which the payments are to be made per Idaho Code (see "Use of Proceeds").

Operating Transfers - All Other

The agencies receiving authority to transfer funds from the General Fund were consulted as to timing of transfers.

Interest Expense on Tax Anticipation Notes

Since the decision to issue or not to issue tax anticipation notes (TANs) is made subsequent to the legislative session, legislative revenue estimates do not include interest earnings on unused TAN proceeds, nor do expenditure estimates include the related interest expense. As indicated in Table 3, interest expense on the Series 2001 Notes was \$9,270,833. Interest expense on the Series 2002 Notes is estimated to be \$8,750,000. However, since the 2003 fiscal year legislative revenue estimate does not include a provision for interest earnings on the Notes, TAN interest revenues and expenses have been netted to zero on Table 4.

The estimates of amounts and timing for receipts and disbursements for the 2003 fiscal year cash flow statement are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved.

TABLE 5

DISBURSEMENTS					
Expenditures:					
Personnel Costs	\$120,678	\$103,999	\$117,134	\$95,742	\$437,553
Operating Expense	36,426	34,542	30,841	27,441	129,250
Capital Outlay	958	675	394	812	2,839
Trustee & Benefit Payments	32,772	18,344	14,341	15,131	80,588
Operating Transfers-Pub Sch	215,816	351,968	159,158	193,058	920,000
Operating Transfers-All Other	131,104	85,556	97,926	85,080	399,666
TOTAL APPROPRIATED EXPENDITURES	\$537,754	\$595,084	\$419,794	\$417,264	\$1,969,896
Non-operating					
Disbursements	0	0	0	0	0
Net Interest Rev/Exp on TAN	0	0	0	0	0
TOTAL DISBURSEMENTS	\$537,754	\$595,084	\$419,794	\$417,264	\$1,969,896
TAX ANTICIPATION NOTES:					
Receipt	350,000				350,000
Repayment				(350,000)	(350,000)
ENDING CASH BALANCE	\$273,886	\$103,564	\$121,699	\$3,188	\$3,188

Source: Division of Financial Management

TABLE 6

STATE OF IDAHO
INTERNAL CASH BORROWING RESOURCES
FISCAL YEARS - 1998-2003
(\$000's Omitted)

	<u>JUL</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>
FY-1998 Actual	1,161,948	1,237,633	1,052,458	1,180,953	1,235,706	1,242,617	1,314,289	1,433,794	1,386,556	1,332,210	1,355,283	1,250,711
FY-1999 Actual	1,261,008	1,360,556	1,162,746	1,303,871	1,368,331	1,433,744	1,478,647	1,645,676	1,607,544	1,512,617	1,530,839	1,466,813
FY-2000 Actual	1,445,444	1,513,602	1,288,525	1,433,239	1,523,383	1,512,125	1,560,710	1,686,156	1,586,562	1,523,625	1,588,239	1,416,440
FY-2001 Actual	1,408,649	1,471,907	1,245,545	1,426,418	1,450,448	1,477,378	1,538,093	1,681,531	1,665,790	1,615,503	1,687,941	1,754,061
FY-2002 Actual	1,675,140	1,715,311	1,473,750	1,664,740	1,762,509	1,992,533	1,890,480	2,034,722	1,861,137	1,765,004	1,655,079	1,711,772
FY-2003 Estimated	1,406,573	1,490,580	1,232,826	1,451,696	1,536,251	1,750,914	1,676,351	1,796,244	1,681,191	1,607,432	1,502,524	1,533,555
Note: May and June are estimated for 2002												

Source: Division of Financial Management

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TABLE 7

STATE OF IDAHO
ESTIMATED AVAILABLE CASH BORROWING RESOURCES
FISCAL YEAR 2003
(\$000's Omitted)

	<u>JUL</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUNE</u>
NON-INTEREST BEARING												
Lottery	2,742	3,352	3,785	5,543	6,340	11,175	9,852	10,752	11,941	13,867	15,254	16,779
Co-Op Welfare	15,066	21,110	14,598	16,427	39,222	25,677	35,879	36,328	32,568	35,950	6,625	4,535
Co-Op DEQ	4,300	3,262	2,775	4,732	3,103	3,749	3,796	2,994	2,053	2,382	3,620	2,781
Permanent Building	11,908	11,908	11,908	11,908	11,908	11,908	11,908	11,908	11,908	11,908	20,798	22,878
Tax Commission Refunds	9,686	9,082	20,088	28,805	27,219	41,991	60,272	46,364	23,917	24,967	66,368	1,538
Circuit Breaker/Sales Tax	10,845	20,998	31,444	13,876	25,728	28,225	11,073	19,825	28,838	13,717	28,687	27,411
Department of Lands	12,200	11,823	11,423	11,572	11,321	10,941	11,859	11,340	11,516	11,304	11,950	11,877
State Regulatory Agency Accts	29,188	26,963	26,137	25,602	27,300	28,204	28,144	29,662	30,285	29,861	33,251	32,235
Water Pollution Control	2,425	2,247	2,593	2,924	478	814	1,132	1,472	1,803	2,122	4,749	5,174
Endowments	33,748	28,993	28,663	21,102	18,732	13,964	12,321	9,235	5,517	5,299	7,210	4,082
Public school Income	1,906	1,980	2,102	2,211	2,359	2,576	2,780	2,914	3,023	3,050	1,710	1,769
All Other Non Interest Bearing Funds	3,061	1,171	1,283	1,239	1,438	1,434	8,574	1,660	1,570	1,613	8,616	917
TOTAL NON-INTEREST BEARING	137,073	142,889	156,798	145,942	175,147	180,655	197,589	184,454	164,938	156,040	208,837	131,977
INTEREST BEARING												
Unemployment Clearing	51,619	51,153	58,362	56,895	62,507	64,800	67,699	65,261	42,411	51,619	56,781	62,459
Group Insurance	85,205	85,567	86,595	89,958	94,031	92,209	95,414	97,448	96,415	99,438	105,405	106,459
State Highway Accounts	47,282	40,137	30,981	39,030	29,266	29,437	31,155	32,021	25,935	30,986	48,604	49,847
Budget Reserve	18,084	18,084	18,084	18,084	18,084	18,084	18,084	18,084	18,084	18,084	18,084	18,084
Risk Management	53,240	53,090	53,090	58,051	58,051	63,013	63,013	53,090	53,090	53,090	53,090	53,240
Idaho Millennium Fund	16,000	16,145	16,290	16,435	16,580	16,725	16,870	17,015	17,160	17,355	17,500	17,645
Public School Income	1,780	2,693	(163,311)	3,963	4,530	4,403	4,572	1,274	1,798	1,874	3,670	3,840
Land Improvement	73,068	75,933	77,708	87,095	87,764	89,836	93,071	96,020	98,183	100,140	102,143	104,186
Liquor Control	4,784	5,846	6,717	5,032	5,742	7,370	7,468	8,419	8,771	6,731	6,259	3,341
Petroleum Price	5,524	5,464	5,935	5,520	5,468	5,536	5,596	5,678	5,764	5,838	5,755	5,658
Interagency Billing Accounts	3,022	4,359	4,343	3,932	4,201	3,758	4,402	5,408	4,320	4,989	5,418	4,031
Joint Exercise of Powers	895,294	967,640	869,674	911,826	966,181	1,166,979	1,056,860	1,205,494	1,137,991	1,056,065	858,774	969,214
Catastrophic Health Care	11,537	10,408	10,275	8,694	7,263	6,674	5,984	4,915	4,762	3,569	3,587	2,658
All Other Interest Bearing funds	3,061	1,171	1,283	1,239	1,438	1,434	8,574	1,660	1,570	1,613	8,616	917
TOTAL INTEREST BEARING	1,269,500	1,337,691	1,076,028	1,305,754	1,361,104	1,570,259	1,478,762	1,611,789	1,516,253	1,451,393	1,293,687	1,401,578
TOTAL INTERNAL CASH BORROWING RESOURCES	1,406,573	1,480,580	1,232,826	1,451,696	1,536,251	1,750,914	1,676,351	1,796,244	1,681,191	1,607,432	1,502,524	1,533,555

Source: Division of Financial Management

UNOBLIGATED CASH BALANCE

The General Fund unobligated cash balance for the past ten years is listed below. These figures represent the ending cash balance less encumbrances.

<u>Fiscal Year</u>	<u>Unobligated Cash Balance</u>
1993	\$ 10,880,000
1994	36,752,460
1995	2,925,985
1996	11,697,800
1997	13,346,000
1998	35,640,563
1999	46,555,079
2000	179,524,220
2001	178,460,257
2002 (estimated)	8,629,000

Source: Legislative Auditor's General Fund Review for 1993 fiscal years. Division of Financial Management 1994 - 2002 fiscal years.

STATE FINANCES

Statewide Accounting Policies and Practices

The Statewide Accounting and Reporting System (STARS) is an accounting, financial reporting and budgetary control system and is the accounting system of record for the State of Idaho. The State maintains records on a budgetary (cash) basis during the fiscal year and records adjustments for financial reporting purposes at fiscal year end. Starting with fiscal year 1996, the State has issued a comprehensive annual financial report in conformance with generally accepted accounting principles as defined by the Government Accounting Standards Board. Each of these reports has received an unqualified audit opinion from the State's auditors. The State of Idaho Comprehensive Annual Report can be viewed at www.sco.state.id.us. The comprehensive annual financial reports in years 1997 through 2000 received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The certificate for the 2001 report is currently pending evaluation.

State Financial Administration

The State Controller is responsible for maintaining the uniform Statewide Accounting and Reporting System (STARS). This system records the budgetary and financial transactions of the State for the General Fund and all other funds maintained by the State Treasury.

The State Treasurer is responsible for the receiving and disbursement of all State monies, management of all bank accounts and investments of surplus cash. Some funds are invested separately and the remaining cash balances are combined for investment purposes. All interest earned is credited to the General Fund unless otherwise required by law.

Revenue Projection Process

Since 1993 (FY 1994), the Legislature has not produced its own revenue forecast. However, a joint legislative economic outlook committee meets at the beginning of the legislative session to review the executive revenue forecast and advise legislative leadership concerning the viability of that forecast. In each of the last four years the joint legislative economic outlook committee has endorsed the executive revenue forecast.

During the interim period between legislative sessions, monthly cash receipts are tracked. A revenue monitoring group composed of representatives of the State Treasurer, Legislative Services (two representatives, one from Legislative Audits and one from Legislative Budget and Policy Analysis), the State Controller, the State Tax Commission and the Division of Financial Management reviews actual receipts and projections on a monthly basis. Legislative leaders are kept informed of trends and prospects by the Legislative Budget and Policy Analysis Section.

The Legislature and Governor of the State have a constitutional responsibility for achieving a balanced budget. Therefore, revenue projection revisions in the interim period, between legislative sessions, may lead to reductions of spending authority.

Executive Revenue Forecasts

The Executive branch forecasts General Fund revenues for use in the development of the Executive Budget and for management of current year fiscal operations. Official Executive Revenue Forecasts are released two times each year and monthly revenues are monitored year-round on an on-going basis. The semiannual forecast update cycle results in three separate executive revenue forecasts for each fiscal year. The first occurs in January, six months before the start of the fiscal year in question. The second is in July, at the beginning of the fiscal year in question. The third, and final, forecast is in January at the midpoint through the fiscal year in question.

IDAHO MILLENNIUM FUND

During the legislative 2000 session, the Idaho Legislature amended Title 67 of the Idaho Code by adding Chapter 18 relating to the Idaho Millennium Fund. This legislation has established an endowment fund to receive, invest, and disburse funds that the State of Idaho is receiving as a result of the master settlement agreement reached with tobacco companies. On March 31, 2002 the market value in this fund was \$53,072,007.

The new legislation preserves the long-term capital value of these funds through a 5% annual distribution rule, ensuring that the State will never be left short of funds if future tobacco settlement payments, for unforeseen reasons, cease to be paid. The purpose of the legislation was not to define the program beneficiaries. Programs funded by distributions from the Idaho Millennium Fund are to be determined through the normal legislative appropriations process. The State Treasurer has been granted the authority to invest the Idaho Millennium Fund assets according to the standards of the Idaho uniform prudent investor act (Chapter 5, Title 68, Idaho Code).

RECENT FINANCIAL INFORMATION REGARDING THE STATE

Fiscal Year 2003

The total amount of General Funds forecasted to be available in FY 2003 is \$1,973,003,800. This consists of \$14,415,700 in beginning balance, \$1,944,160,000 in original projected revenues, plus \$53,200,000 in transfers from other funds, less a base reduction of \$36,300,000 due to shortfalls in early 2002, less \$2,471,900 in net revenue adjustments that result from 8 law changes that were enacted during the 2001 legislative session.

The original revenue forecast for FY 2003 is \$120.0 million (6.6 percent) above FY 2002. This forecast was produced in December 2001 and reflects significant one-time revenue reductions in FY 2002 due to expiring tax cuts (-\$10.76 million) and refunds of over-withholding that were collected in FY 2001 (-\$24.5 million). Absent these extraordinary elements of the FY 2002 revenue forecast, the “normalized” revenue growth forecast for FY 2003 is \$84.5 million, a 4.3 percent growth rate over FY 2002.

The largest category of the revenue growth forecast for FY 2003 is the individual income tax. After a projected decline of 8.2 percent in FY 2002, the individual income tax is expected to grow 8.8 percent in FY 2003 to \$1,022.8 million. The growth rates for both FY 2002 and FY 2003 are distorted by a combination of tax law changes and one-time factors. Details of the impacts for FY 2002 are in the next section, but the net effect is normalized FY 2002 individual income tax growth has been forecast at 2.4 percent over FY 2001. Likewise, normalized FY 2003 individual income tax growth is forecast at 4.8 percent. The difference between the normalized FY 2003 forecast of 4.8 percent growth and the actual forecast of 8.8 percent growth is due to a) \$24.5 million in withholding refunds in the actual FY 2002 forecast that is not in the normalized FY 2002 forecast, and b) tax law change impacts of -\$83.65 million in FY 2002 and -\$76.2 million in FY 2003, a net gain of \$7.45 million that is not in the normalized forecast for FY 2003.

Several actions during the 2002 legislative session also impacted the FY 2003 individual income tax forecast. HB 663 (tax credit for kindergarden donations) is estimated to reduce revenue by \$8,500. HB 492 (Internal Revenue Code compliance) is estimated to reduce revenue by \$3.1 million. Finally, the individual income tax share of the base reductions due to revenue weakness in December 2001 and January 2002 is \$22.3 million. Combined, these three actions reduce the adjusted FY 2003 individual income tax forecast to \$997.4 million, a 6.1% increase over FY 2002.

The corporate income tax is forecast to grow by \$18.8 million (20.1 percent) to \$112.2 million in FY 2003, from \$93.4 million in FY 2002. By comparison, FY 2002 corporate income tax is expected to decline by \$48.1 million, a 34.0% drop. These figures are not normalized. On a normalized basis FY 2002 growth is forecast to decline 18.8 percent, and FY 2003 is forecast to grow by 13.5 percent. The difference between the actual forecast and the normalized forecast is the normalized forecast does not subtract \$21.495 million in FY 2002 and \$18.185 million in FY 2003. These subtractions are the net revenue losses associated with tax relief enacted in the 2001 legislative session.

The actual FY 2003 corporate income tax forecast is also impacted by the revenue base adjustment (in the amount of a \$10.3 million reduction) due to weakness in December 2001 and

January 2002. The net result is an adjusted FY 2003 corporate income tax forecast of \$101.9 million, a 9.1 percent increase over FY 2002.

The sales tax forecast is for an increase of \$26.3 million (4.0 percent) to \$685.7 million in FY 2003. No material normalization adjustments apply to the sales tax. However, four bills granting sales tax exemptions were enacted in the 2002 legislative session with a combined revenue reduction estimate (in FY 2003) of \$189,400. Also, the sales tax share of the December 2001/January 2002 revenue base adjustment is a reduction of \$2.3 million. The net result is an adjusted FY 2003 sales tax revenue forecast of \$683.2 million, a 3.6 percent increase over FY 2002.

General Fund revenues from the product taxes are forecast to fall by \$0.46 million (2.2 percent) in FY 2003. The product taxes are tied to unit sales, and the reduction is due to declining cigarette consumption. There are no law changes that impact the product taxes.

Miscellaneous revenues were originally projected to fall by \$7.29 million (6.6 percent) in FY 2003 due to a combination of lower interest earnings and reduced transfers. Several actions of the 2002 legislative session increase this slightly to a decline of \$7.76 million (7.0 percent).

Expenditures authorized for FY 2003 consist of \$1,892,068,100 in base spending plus \$75,827,300 in adjustments and enhancements. An ending balance of \$5,108,400 is anticipated.

Agency enhancements totaled \$21.6 million in FY 2003. The majority of these enhancements (\$17.4 million) went to education. Public Schools received \$12.2 million, the Office of the State Board of Education received \$3.5 million, and Special Programs received \$1.6 million.

State departments received the remaining \$4.2 million for enhancements. Of this, \$3.7 million went to Adult Corrections.

Besides enhancements, Public Schools also received \$13.0 million in maintenance increases. These cover enrollment increases, inflation, employee compensation, etc.

There were no State department employee salary increases in FY 2003. State department replacement capital outlays are \$0.7 million, annualizations are \$1.6 million, inflation increases are \$7.9 million, and personnel benefit increases are \$2.7 million in FY 2003.

Fund shifts totaled \$1.5 million in FY 2003. Finally, State department nonstandard adjustments totaled \$26.9 million in FY 2003. These are maintenance of current operations items associated with enrollment increases, caseload increases, etc. \$22.7 million of FY 2003 nonstandard adjustments were in Health & Welfare, primarily for Medicaid increases. The Department of Corrections received a \$1.4 million nonstandard adjustment, Colleges & Universities received \$1.4 million, and Professional-Technical Education received \$1.6 million. All other nonstandard adjustments were for less than half a million dollars.

Fiscal Year 2002

Total General Funds projected to be available in FY 2002 are \$2,007,335,500. This consists of a \$184,817,100 beginning balance, plus \$1,824,160,000 in projected revenues, plus \$42,086,200 in transfers from other funds, less \$7,358,300 in transfers out of the General Fund, less \$69,500 in

sales tax-related legislation, less an estimated revenue reduction of \$36,300,000 to reflect collection weakness in December 2001/January 2002.

General Fund expenditures are currently projected to total \$1,992,919,800¹. This consists of \$2,044,295,100 in original appropriations, plus \$6,452,400 in prior year reappropriations, less \$57,827,700 in net supplementals. The projected ending balance is \$14,415,700.

The current FY 2002 base revenue forecast of \$1,824.2 million is \$218.3 million lower than the original executive revenue forecast of \$2,042.5 million made in December 2000. \$123.7 million of this reduction is due to law changes. The remainder (\$94.6 million) is due to downward forecast revisions.

The individual income tax accounts for the majority of the downward revision to the FY 2002 revenue forecast. The individual income tax has been revised downward by \$156.5 million (14.2 percent) to \$940.2 million due to a combination of significant tax relief legislation enacted in the 2001 legislative session and substantially weaker economic conditions than were forecasted in late 2000. Changed economic conditions caused the FY 2002 individual income tax forecast to be reduced from 7.1% growth made in late 2000 to a forecast of 2.4% growth made in late 2001. A further reduction to -8.2% growth was due to the tax law changes enacted during the 2001 session. A reduction of \$83.7 million in FY 2002 was due to the direct impacts of the legislation, and another \$24.5 million of FY 2002 individual income tax revenue reduction was the result of refunds related to over withholding in the last half of FY 2001 (tax relief legislation was made retroactive to January 1, 2001, but withholding table changes didn't occur until July 2001).

The corporate income tax forecast for FY 2002 has been revised downward by \$42.4 million (31.2 percent) to \$93.43 million on the basis of weaker than expected performance in FY 2001, and tax relief legislation enacted during the 2001 legislative session. FY 2002 corporate income tax revenue was originally forecast to decline 20.1% from FY 2001. The current forecast has the corporate income tax declining only 18.8% (before factoring in law changes), but the FY 2001 base came in \$28.5 million lower than expected. This accounts for \$20.8 million of the reduction. Another \$21.5 million is pulled from FY 2002 corporate income tax revenue as a result of tax legislation enacted during the 2001 legislative session. The net result is a forecasted decline of 34.0% in FY 2002.

The sales tax forecast has been revised downward by \$36.9 million (5.3 percent) on the basis of weaker than expected actual revenue results in FY 2001 and weaker projected economic performance in 2001 and 2002.

The product tax category has been revised upward slightly by \$0.2 million (0.9 percent) to \$20.63 million. The miscellaneous revenue forecast has been revised upward \$17.3 million (18.5 percent) to \$110.6 million due to a variety of factors. State agencies now pay fees for Attorney

¹ As of the end of April 2002 the FY 2002 General Fund revenue shortfall has grown to \$100.3 million. As a result, in May the Governor ordered several additional measures to deal with this problem. State agencies were instructed to implement a hiring freeze, pay freeze, and cancellation of all discretionary equipment and travel expenditures. These measures are in addition to the following transfers to the General Fund authorized by the legislature during the 2002 legislative session: \$1.3 million from the Idaho Code Commission, \$0.336 million from the State Insurance Fund, \$0.45 million from the Hazardous Waste Emergency Fund, \$22 million from the Capitol Endowment Fund, \$19.336 million from the April 2002 Tobacco Settlement Payment, and up to \$80 million from the Permanent Building Fund.

General services into the state's Indirect Cost Recovery Fund. The amount in this fund, \$7.0 million, will be transferred into the General Fund in FY2002. The Department of Finance transferred \$2.4 million into the General Fund in FY2002. The Department of Environmental Quality reverted \$1.0 million to the General Fund in FY2002. In addition, the Treasurer's interest earnings have been augmented with the \$5.4 million in net proceeds from the sale of the 2001 Tax Anticipation Note. These changes account for \$15.8 million of the \$17.3 million increase in miscellaneous revenue from the original to revised estimates for FY2002.

Fiscal Year 2001

General Fund revenue in FY 2001 was \$1,985,040,200. An additional \$182,424,200 was available as a carryover from the prior year. Transfers out of the General Fund totaled \$153,025,000. Total funds available in FY 2001 were \$2,014,439,400.

General Fund revenue growth was 8.9% in FY 2001. This was \$15.2 million, or 0.8 percent, lower than the revised executive forecast made in December 2000.

The strongest revenue growth in FY 2000 was from the corporate income tax. Its increase of \$16.7 million (13.3%) was the second consecutive year of ranking first in growth rate. Nonetheless, FY 2001 corporate income tax collections of \$141.5 million were \$10.5 million less than the all time high of \$152.0 set in FY 1996.

The individual income tax had the largest actual increase in FY 2001 in absolute terms. Growth of \$63.8 million (6.6 percent) was \$0.2 million (0.02 percent) lower than the revised executive forecast made in December 2000.

The sales tax grew by \$19.8 million (3.2 percent) in FY 2001. This is \$10.7 million (1.6 percent) lower than the forecast of \$658.0 made in the December 2000 revised executive forecast. This worse than expected performance was primarily the result of an abrupt slowing in Idaho employment growth in 2001.

The product tax revenue category grew by \$4.7 million (29.7 percent) in FY 2001. This was primarily due to a law change that redistributed tobacco tax revenue to the General Fund. This accounts for \$4.1 million of the growth. Another \$0.6 million in growth occurred in the cigarette tax. This category came in just \$0.05 million higher than the December 2000 revised executive forecast.

Miscellaneous revenues grew by \$58.0 million in FY 2001, a 62.2 percent increase. This is \$24.2 million (19.1 percent) higher than the December 2000 executive revenue forecast. The bulk of this increase was due to the second of two large estate tax payments (\$8.8 million), stronger than expected insurance premium tax revenues (\$7.3 million), stronger than expected unclaimed property collections (\$4.8 million), and stronger than expected net interest earnings (\$3.9 million).

General Fund spending in FY 2001 consisted of \$1,804,038,100 in original appropriations, plus \$2,899,800 in prior year reappropriations, plus \$42,144,200 in positive supplementals, less \$12,725,100 in negative supplementals, plus \$353,300 in appropriation adjustments, less \$7,088,000 in reversions and next year reappropriations.

TABLE 8
IDAHO ECONOMIC INDICATORS

	Calendar Years				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u> (Projected)
Personal Income (millions)	\$ 28,572	\$ 30,759	\$ 32,435	\$ 33,984	\$ 35,009
Percent Change	5.5%	7.7%	5.4%	4.8%	5.9%
Total Nonfarm Employment	539,114	559,243	569,064	572,958	582,637
Percent Change	3.4%	3.7%	1.8%	0.7%	1.7%
Goods Producing Employment	113,567	116,060	115,106	110,855	111,862
Percent Change	2.1%	2.2%	-0.8%	-3.7%	0.9%
Service Producing Employment	425,547	443,184	453,958	462,103	470,775
Percent Change	3.7%	4.1%	2.4%	1.8%	1.9%
Population (thousands)	1,251.8	1,273.1	1,292.9	1,308.6	1,323.3
Percent Change	1.7%	1.7%	1.6%	1.2%	1.1%
Housing Starts (Idaho)	10,337	11,528	12,179	10,658	10,168
Single Unit	9,193	10,381	10,332	9,440	9,153
Multiple Unit	1,144	1,147	1,848	1,245	1,015

Selected U.S. Production Indices (1996 = 100)

Lumber & Wood Products	110.5	107.6	102.4	103.2	105.6
Office & Computer Equipment	258.5	343.8	351.7	387.2	504.9
Electrical Machinery	199.4	260.1	245.1	252.4	315.2
Electronic Components	327.1	502.6	479.6	527.8	698.7
Food	106.3	108.0	107.2	108.6	110.1
Paper	107.6	106.7	101.2	98.5	102.4
Agricultural Chemicals	102.4	95.5	90.7	94.6	95.5
Mining, Except Oil & Gas	105.4	106.0	103.9	100.0	103.2

Selected U.S. Producer Prices (1982 = 100)

All Items	125.5	132.8	134.2	130.3	132.9
Lumber & Wood Products	183.6	178.2	174.3	173.7	178.7
Machinery & Equipment	124.2	124.0	123.6	122.6	122.9
Farm	98.4	99.5	103.8	103.4	106.5
Pulp, Paper & Allied Products	174.1	183.7	184.8	184.7	189.9
Chemicals	144.2	151.0	151.9	148.4	151.8

Sources: DRI*WEFA and *Idaho Economic Forecast*, April 2002

TABLE 9

**STATE OF IDAHO
GENERAL FUND
SUMMARY OF THE 2003 FISCAL YEAR BUDGET**

(Cash Basis) (\$000's Omitted)		
	BUDGET	PERCENT
Unobligated Cash Balance July 1	\$8,629	
Add Beginning Encumbrances	6,500	
Beginning Cash Balance	\$15,129	
REVENUES		
Individual Income Tax	997,391	52.35%
Sales Tax	101,921	5.35%
Corporate Income Tax	683,171	35.32%
Cigarette Tax	7,430	0.39%
Tobacco Tax	4,100	0.22%
Beer and Wine Tax	3,700	0.19%
Kilowatt Tax	2,300	0.12%
Mine License Tax	100	0.01%
Liquor Surcharge	4,945	0.26%
Insurance Premium Tax	54,622	2.82%
Total Taxes	\$1,859,680	97.03%
State Treasurer	\$12,200	0.64%
Court Fines	5,100	0.27%
Miscellaneous	27,775	1.46%
Total Revenues	\$1,904,755	99.40%
Transfers to General Fund (One Time)	53,200	
Total Revenue and Transfers	\$1,957,955	
EXPENDITURES		
Public Schools	\$920,000	46.70%
Higher Education	213,559	10.84%
Health and Welfare	359,646	18.26%
All Others	476,691	24.20%
Total Appropriated Expenditures	\$1,969,896	100.00%
Nonoperating Rec./Disb. (net)	\$0	
Net Interest Rev/Exp on TAN	0	
Ending Cash Balance	3,188	
Less Encumbrances/Reappropriations	0	
Unobligated Cash Balance June 30	\$3,188	

Source: Division of Financial Management

TABLE 10

STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES
FISCAL YEARS 1998 - 2002

(Cash Basis)
For the Fiscal Years Ended June 30
(\$000's Omitted)

	2002 ¹		2001		2000		1999		1998	
	\$	%	\$	%	\$	%	\$	%	\$	%
UNOBLIGATED CASH BALANCE JULY 1	\$182,692		\$179,524		\$46,555		\$35,640		\$13,348	
ADD BEGINNING ENCUMBRANCES	13,534		18,152		16,045		8,452		8,470	
BEGINNING CASH BALANCE	\$196,226		\$197,676		\$62,600		\$44,092		\$21,816	
REVENUES										
Individual Income Tax	886,222	44.66%	1,023,970	51.60%	960,169	52.36%	841,865	51.40%	776,191	51.89%
Corporate Income Tax	93,980	4.74%	141,527	7.13%	124,873	6.81%	95,438	5.83%	117,287	7.84%
Sales Tax	657,654	33.14%	647,294	32.61%	627,503	34.22%	588,797	35.95%	496,808	33.21%
Cigarette Tax	8,000	0.40%	7,981	0.40%	7,295	0.40%	7,230	0.44%	7,477	0.50%
Tobacco Tax ³	4,249	0.21%	4,063	0.20%	N/A		N/A		N/A	
Beer and Wine Tax	3,730	0.19%	3,715	0.19%	3,717	0.20%	3,580	0.22%	3,420	0.23%
Kilowatt Tax	1,600	0.08%	1,796	0.09%	2,765	0.15%	2,890	0.18%	3,240	0.22%
Mine License Tax	121	0.01%	245	0.01%	(659)	-0.04%	1,983	0.12%	960	0.06%
Liquor Surcharge	4,945	0.25%	4,945	0.25%	4,945	0.27%	4,945	0.30%	4,945	0.33%
Insurance Premium Tax	53,039	2.67%	55,881	2.82%	46,432	2.53%	45,465	2.78%	42,846	2.86%
Total Taxes	1,713,540	86.35%	\$1,891,417	95.30%	\$1,777,040	96.90%	\$1,592,193	97.22%	\$1,453,174	97.14%
State Treasurer	16,500	0.83%	22,304	1.12%	34,274	1.87%	32,152	1.96%	31,766	2.12%
Court Fines	5,000	0.25%	5,494	0.28%	5,306	0.29%	5,130	0.31%	5,019	0.34%
Estate Tax ²	8,400	0.42%	35,807	1.80%	N/A		N/A		N/A	
Miscellaneous	37,061	1.87%	29,749	1.50%	17,058	0.93%	8,420	0.51%	6,020	0.40%
TOTAL REVENUES	\$1,780,501	89.72%	\$1,984,771	100.00%	\$1,833,678	100.0%	\$1,637,895	100.00%	\$1,495,979	100.00%
EXPENDITURES										
Public Schools	932,970	46.69%	873,465	44.21%	821,072	48.70%	796,360	49.58%	705,000	48.30%
Higher Education	298,484	14.94%	263,119	13.32%	251,163	14.90%	239,225	14.90%	221,173	15.15%
Health and Welfare	358,022	17.92%	315,013	15.95%	274,272	16.27%	250,856	15.62%	230,627	15.80%
All Others	405,823	20.45%	524,009	26.52%	339,566	20.14%	319,486	19.89%	302,977	20.76%
TOTAL APPROPRIATED EXPENDITURES	1,995,299	100.00%	\$1,975,606	100.00%	\$1,686,073	100.00%	\$1,605,927	100.00%	\$1,459,777	100.00%
NONOPERATING REC./DISB. (NET)	42,972		16		186		3		(90)	
INTEREST EXPENSE ON TANs	(9,271)		(10,631)		(12,715)		(13,463)		(13,836)	
ENDING CASH BALANCE	\$15,129		\$196,226		\$197,676		\$62,600		\$44,092	
LESS ENCUMBRANCES/REAPPROPRIATIONS	(6,500)		(13,534)		(18,152)		(16,045)		(8,452)	
UNOBLIGATED CASH BALANCE JUNE 30	\$8,629		\$182,692		\$179,524		\$46,555		\$35,640	

¹ 2002 Projections are based on actuals through April, 2002 and Projections for May & June. This more accurately reflects FY 2003 than the normal practice of official projections.

² Estate Tax is new to the General Fund in 2001.

³ Prior to FY 2001 Tobacco Tax was distributed to various dedicated funds. Law change during the 2000 legislative session changed the distribution formula.

Source: Division of Financial Management.

GENERAL TAX REVENUES

The following General Tax Revenues are the sources for the repayment of principal of and interest on the Notes.

Individual Income Tax (Title 63, Chapter 30, Idaho Code)

Collections from the individual income tax are based on a graduated scale of tax liability applied to taxable income. There are several rates and brackets for taxable income up to \$7,500 (\$15,000 for joint returns). Between \$7,500 and \$20,000 (\$15,000 to \$40,000 for joint returns) the rate is 7.4%, effective January 1, 2001. For taxable income above \$20,000 (\$40,000 for joint returns) the rate is 7.8%, effective January 1, 2001. Also, State law conforms to most of the provisions enacted in the Tax Reform Act of 1986. Notable exceptions include a) enactment of a limited capital gains exclusion at the State level, b) retention of the State investment tax credit, including its general tie-in to the federal definition of eligible property.

Most collections occur through the monthly withholding process. The remainder is collected through net filings. An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Account. Any balance exceeding \$1,500,000 in the Income Tax Refund Account at the end of the year is transferred to the General Fund on June 30. A filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund. All other revenues from the individual income tax accrue to the General Fund.

TABLE 11
STATE OF IDAHO
INDIVIDUAL INCOME TAX
Individual Income Tax Net Collections

<u>Fiscal</u> <u>Year</u>	<u>General</u> <u>Fund</u>	<u>Building</u> <u>Fund</u>	<u>Total</u>
1992	\$ 459,429,897	\$ 3,157,015	\$ 462,586,912
1993	508,023,141	4,998,898	513,022,039
1994	559,166,605	4,215,401	563,382,006
1995	596,457,494	4,458,954	600,916,448
1996	650,850,016	4,708,545	655,558,561
1997	704,819,923	4,236,116	709,056,039
1998	776,192,032	4,817,330	781,009,362
1999	841,864,958	5,107,517	846,972,475
2000	960,163,683	5,041,070	965,204,753
2001	1,023,970,174	6,073,061	1,030,043,235

(Source: State Tax Commission)

Sales Tax (Title 63, Chapter 36, Idaho Code)

Sales tax collections are based on a flat rate of 5% applied to the sales price or value of all tangible personal property subject to sales and use taxation. Exemptions to the sales and use tax include a) tangible personal property used or consumed directly in the production of manufactured goods, minerals or agricultural products (the so-called production exemption), b) gas, water and electricity sold to consumers, c) heating material sales, d) the value of traded-in merchandise, e) occasional sales and home yard sales, f) materials used in research at the Idaho National Engineering and Environmental Laboratory, g) irrigation equipment, h) pollution control equipment, i) school lunches, j) prescription drugs, and k) logging. Sales tax funds must be allocated to the Idaho Housing and Finance Association if within 60 days of the close of the fiscal year, the Chairman of the Housing Agency Board of Commissioners certifies to the State Tax Commission that a deficiency exists in any Agency Capital Reserve Fund. No claims have ever been made by the Agency for state sales tax funds and none are anticipated. The Legislature has eliminated the continuing appropriations for all Idaho Housing and Finance Association bonds issued on or after January 1, 1996.

Sales tax rates since inception of the tax have been as follows:

<u>Dates</u>	<u>Rate</u>
July 1, 1965 - Feb. 28, 1983	3.0%
March 1, 1983 - May 31, 1983	4.0%
June 1, 1983 - June 30, 1984	4.5%
July 1, 1984 - March 31, 1986	4.0%
April 1, 1986 - Present	5.0%

The current distribution formula for revenues generated by the sales tax is as follows:

1. 13.75% of net collections to revenue sharing (cities and counties);
2. \$5,000,000 per annum to the Permanent Building Fund;
3. \$4,800,000 per annum to the Water Pollution Control Fund;
4. \$12,100,000 (or such amount as the Tax Commission certifies is needed) to fund the Circuit Breaker Program;
5. Remaining net collections to the General Fund.

TABLE 12
STATE OF IDAHO
TAXABLE SALES AND USE TAXABLE SALES
(000s omitted)

<u>Calendar Year</u>		<u>Calendar Year</u>	
1992	\$ 8,134,638	1997	\$12,434,851
1993	10,133,119	1998	12,970,353
1994	11,191,306	1999	14,601,265
1995	11,624,000	2000	14,912,310
1996	12,285,739	2001	14,211,532

(Source: State Tax Commission)

Corporate Income Tax (Title 63, Chapter 30, Idaho Code)

Collections from the corporate income tax are based on a flat rate of 7.6%, effective January 1, 2001 (8.0% before that date), applied to taxable income. Prior to tax year 1987, the rate had been 7.7% Beginning with 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the investment tax credit repeal. Idaho continues to allow a 3% credit that is tied generally to the federal definition of eligible property. Also new for 1987, Idaho began requiring that corporations file quarterly payments of estimated taxes. This new provision is based upon the federal rules, and was being phased-in over a two-year period.

An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State income tax refund account. Any excess not diverted for refunds reverts to the General Fund. A filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund. All other revenues from the corporate income tax accrue to the General Fund.

TABLE 13
STATE OF IDAHO
CORPORATE NET INCOME TAX

<u>Fiscal Year</u>	<u>General Account Receipts</u>	<u>State Building Fund</u>	<u>Total</u>
1992	\$ 57,971,299	\$ 194,185	\$ 58,165,484
1993	70,003,833	282,010	70,285,843
1994	87,628,174	196,830	87,825,004
1995	131,636,134	250,724	131,886,858
1996	151,979,175	246,724	152,225,899
1997	122,357,177	249,546	122,606,723
1998	117,286,401	283,673	117,570,074
1999	95,437,675	270,030	95,707,705
2000	124,872,935	303,591	125,176,526
2001	141,527,236	349,042	141,876,278

(Source: State Tax Commission)

Other Taxes

Cigarette Tax (Title 63, Chapter 25, Idaho Code)

Cigarette Tax collections are based on a tax of 1.4¢ per cigarette. Five cents (5¢) per pack is distributed to the Public School Income Fund and five cents (5¢) to County Juvenile Probation Services. Of the balance, 43.3% is credited to the Permanent Building Fund; 6.7% is credited to the Water Pollution Control Fund; 1% (to maximum of \$139,600) is credited to the Tumor Registry Fund; and 2.5% is distributed to the Cancer Control Account. The remainder accrues to the General Fund.

Tobacco Tax (Section 63-2552 Idaho Code)

Tobacco Tax collections are collected on the sale, use, consumption, handling or distribution of all tobacco products in the State at the rate of 40%, 6.25% is distributed to the Public School Income Fund, 6.25% is distributed to County Juvenile Probation Services and the remainder accrues to the General Fund.

Beer Tax (Section 23-1008, Idaho Code)

Of the total tax of \$4.65 per 31-gallon barrel or equivalent that is levied on beer, \$.93 goes to the Alcoholism Treatment Account, \$1.55 to the Permanent Building Fund and the remainder (\$2.17) to the General Fund.

Wine Tax (Section 23-1323, Idaho Code)

Revenue is derived from a tax on wine sold in Idaho. The rate is \$.45 per gallon of wine. Twelve percent (12%) goes to the Alcoholism Treatment Account, 5% goes to the Idaho Grape Growers & Wine Commission and the remainder to the General Fund.

Kilowatt Hour Tax (Title 63, Chapter 27, Idaho Code)

Revenue is derived from a one-half mill per kilowatt hour tax on electricity generated in the State of Idaho by water power. Power used by industrial consumers and for the irrigation of land is exempt from this tax. All collections accrue to the General Fund.

Mine License Tax (Title 47, Chapter 12, Idaho Code)

Revenue is derived from a 1% "profit" tax on Idaho mining operations. All collections accrue to the General Fund.

Liquor Surcharge (Section 23-217, Idaho Code)

Revenue is derived from a 15% surcharge on the retail price of liquor sold by the State liquor dispensary. Idaho Law provides for a transfer of \$4.945 million annually to the General Fund.

Insurance Premium Tax (Title 41, Chapter 4 and Section 59-1357, Idaho Code)

The Insurance Premium Tax was modified in 1994 to reduce the rate from 3.0% to 2.75% of gross premiums written in the State. The rate on title insurance was raised in 1988 from 1.1% to 1.5%. All insurers, other than life insurers, with 25% or more of their total assets invested in domestic investments may qualify for a 1.4% rate. Life insurers may qualify for a 1.4% rate with 25% or more of their total reserve invested in domestic investments. The preferential rate was decreased from 1.6% in 1994.

Most annual receipts occurred in the month of March until the 1983 fiscal year when a system of quarterly payments was instituted. Prepayments based on previous year premiums are now due in June (60%), September (20%) and December (15%), with full payment for any balance due the following March 1. Approximately 95% of the fire insurance premiums are distributed from tax prepayments – 100% of the final fire insurance premium taxes are distributed to the Fireman’s Retirement Fund.

Collections of filing fees, license fees and miscellaneous charges are also made. Beginning December 31, 1984, these revenues were transferred to the Insurance Administration Fund to fund Department of Insurance appropriations. At the beginning of each fiscal period, amounts in this fund exceeding the current fiscal year appropriation by more than 25% are transferred to the State of Idaho General Fund.

In 1997 fiscal year legislation changed Health Maintenance Organizations (HMO’s) to Managed Care Organizations. This changed their tax rate from \$.04 per subscriber to the 2.75% of gross premiums written in the State.

Estate Tax (14-413 0507, Idaho Code)

The State Tax Commission collects estate taxes and remits the money to the State Treasurer. Estate Taxes are distributed as follows: 10% goes into a fund to be sent to the counties (at least quarterly); an amount sufficient to pay current refund claims is paid into the State Refund Fund; and the balance is distributed 10% into the Resource Conservation and Rangeland Development Loan Fund with the balance distributed to the General Fund.

LITIGATION

On December 30, 1998, the Idaho Supreme Court issued its decision in the case of *Idaho Schools for Equal Education Opportunity v. The State of Idaho*. The Court concluded that, pursuant to Article IX, § 1, of the Idaho Constitution, which requires the Legislature to “establish and maintain a . . . thorough system of public, free common schools,” the Legislature must provide a means for school districts to fund facilities that provide a safe environment conducive to learning. The Court vacated a summary judgment granted by the District Court of the Fourth Judicial District dismissing this claim and ordered the matter remanded for a trial or “other appropriate proceeding to determine whether the Legislature has provided a means to fund facilities that provide a safe environment that is conducive to learning.” The Court upheld a summary judgment dismissing claims for a declaration that a thorough system of public, free common schools requires (1) equalization of funding for capital expenditures, and (2) not submitting special override levy elections to the voters for special facility levies. The plaintiffs’ petition for reconsideration by the Supreme Court of the last two matters was denied May 17, 1999.

The case was tried during March and August, 2000. On February 5, 2001, Fourth District Judge Deborah Bail issued her Findings of Fact and Conclusions of Law that the current “system for the replacement and major repairs of unsafe buildings based upon loans alone is not adequate to meet the constitutional mandate to establish and maintain a general, uniform and thorough system of public free, common schools in a safe environment conducive to learning for Idaho’s poorest school districts which lack any reasonable means to repay such loans while maintaining a

thorough education for the students.” The District Court retained jurisdiction to allow the legislature to address its ruling, but in denying a permissive appeal to the Supreme Court of Idaho, the District Court further stated:

The Court has concluded that the funding system itself is flawed in that a solely loan-based system of funding to replace or repair unsafe school buildings is not adequate under the Idaho Constitution because the poorest school district cannot obtain the funding to repair or replace seriously dangerous and defective buildings. The Court has concluded, based upon the facts, that the problem is a system problem, not just a problem of a few individual schools. Considerable work remains for the Court in fashioning a remedy.

The District Court concluded:

There should be no doubt in anyone’s mind – if the legislature does not act, the Court will. At the same time, the legislature ought to have the first opportunity to utilize its unique powers to examine issues, to balance competing interest, and to consider multiple reasonable options to deal with the real problem.

The District Court added:

Obviously, there is a need for outright aid to repair or replace unsafe schools for the poorest school district[s] who are suffering from declining population, high unemployment, low income, a low property tax base, but high property taxes and which cannot reasonably assume greater debt.

The District Court further stated:

The fashioning of a system which provides a means to fund safe school buildings is, first and foremost, a legislative responsibility. There are a number of different approaches which the legislature might find workable. The legislature’s own 1993 Needs Assessment outlines the approaches followed by other states which have dealt with the same problem Idaho now much address. Alaska appropriates funds which are distributed based upon a priority ranking system: the highest priority is given to life/safety issues, followed by unhoused students, protection of structures, code upgrades, operational cost savings, functional upgrades. Georgia used matching grants with a ration which varies based upon the wealth of the district. Washington used matching grants to make bond passage more palatable to local voters. Lowering the supermajority requirement and creating incentives to help local school districts deal with the repair and replacement needs before students are endangered are among the many possible options which could be followed. Idaho may want to borrow and adapt other approaches or create its own. The Idaho legislature is currently exploring a range of approaches.

The District Court also stated that its February 5, 2001, decision was not yet complete and that a further decision would be made. It has retained jurisdiction of the case, and further hearings are scheduled to begin before the district Court on July 29, 2002.

It is not possible to predict the eventual outcome of the case or the possible fiscal impact on the State. It is unlikely at this time that the district court's eventual rulings will have any significant financial impact on the State during the 2002-2003 fiscal year.

In the opinion of the Attorney General of the State of Idaho, there is no litigation pending against the State that will materially adversely affect the ability of the State to pledge the General Tax Revenues to the repayment of the Notes. At the time of the delivery of the Notes, the Idaho Attorney General's office will provide a certificate stating that there is no litigation pending or threatened against the State or its officers which questions the authority of the State to issue the Notes or which seeks to restrain or enjoin the issuance or delivery of the Notes or the collection of the General Tax Revenue pledged to the repayment of the Notes.

THE IDAHO SCHOOL BOND GUARANTY ACT

By enactment of Senate Bill No. 1236, the 1999 Idaho Legislature created the "Idaho School Bond Guaranty Act" (the "Act"), now codified as Chapter 53, Title 33, Idaho Code, for the purpose of establishing a default avoidance program for voter-approved school bonds issued by Idaho public school districts. (Voter-approved school bonds are general obligation bonds, for which the full faith and credit and unlimited ad valorem taxing power of the issuing school district are pledged.)

The Act:

- Pledges the sales tax of the State to guarantee the full and timely payment of the principal of and interest on school bonds approved by the voters on and after March 1, 1999.
- Provides that the State Treasurer, after determining eligibility, may issue a certificate of eligibility for the State's guarantee, which shall be printed on the bonds and which is good for the life of the bonds.
- Provides that the State Treasurer shall (i) monitor the financial affairs and conditions of each school district and immediately report to the governor and State superintendent of public instruction any circumstances suggesting that a district will be unable to meet its debt service obligations, (ii) recommend a course of action to correct such problems, and (iii) if warranted, issue a determination of ineligibility.
- Provides for notification to and advancement of funds by the State treasurer to the paying agent for any guaranteed bonds whenever a district is unable to make its scheduled debt service payments.
- Requires the State Treasurer to intercept any payments due that district from the public school permanent endowment fund or from any other source of operating moneys provided by the state, and to apply the intercepted payments to reimburse the State for payments made pursuant to the guaranty program.

- Provides that, if necessary, the state treasurer may issue "general obligation notes" ("notes") to provide funds for the guaranty program, and pledges the State sales tax to pay the notes.
- Creates a credit enhancement program for voter approved school district bonds, to be administered by the public school endowment fund investment board, and provides for purchase by the endowment fund of notes issued by the State Treasurer pursuant to the school bond guaranty program.

The State Treasurer was advised by counsel that there were unresolved constitutional and other legal questions relating to the school bond guaranty program which would have to be resolved by the Idaho Supreme Court before bond counsel could render unqualified approving opinions as to the validity of the school bond guaranty program. Accordingly, a test case in the form of an action for declaratory judgment was filed in the District Court of the Fourth Judicial District of the State of Idaho by the Idaho Endowment Fund Investment Board (the board which is charged with administering the credit enhancement program portion of the school bond guaranty program) and certain school districts, as plaintiffs, against the state treasurer, in his official capacity, as defendant, seeking a declaration that the Act is constitutional and valid. On February 2, 2000, the District Court entered its memorandum decision and order upholding the Act in all respects. In order to obtain a definitive decision on the legal issues, however, appeal has been taken to the Idaho Supreme Court (Supreme Court Case No. 26304). The matter was argued and fully submitted to the Idaho Supreme Court on November 6, 2000. On April 18, 2001, the Idaho Supreme Court issued its decision upholding the Act in all respects.

The Act was amended twice by the 2002 Idaho Legislature. House Bill No. 668, which went into effect on March 20, 2002, provides that the amount of debt guaranteed by the credit enhancement program administered by the Public School Endowment Fund investment board shall not be greater than two times the amount made available by the public school permanent endowment fund (currently \$100,000,000). Senate Bill No. 1424, which went into effect on March 26, 2002, extends the Act to cover refunding bonds issued on and after March 1, 1999, for bonds approved by the voters prior to March 1, 1999. As of May 17, 2002 the State Treasurer has issued Certificates of Eligibility guaranteeing \$55,905,000 in various Idaho School District Bonds.

It should be noted that distribution of State sales tax moneys pursuant to the pledge of the school bond guaranty program can occur only after all required payments to the Tax Anticipation Note Redemption Fund have been made as required by Section 63-3203, Idaho Code.

The State does not anticipate that the school bond guaranty program will have any significant fiscal impact upon the State, its operations, or its ability to pay the principal of and interest on the Notes as the same become due.

MUNICIPAL BOND BANK LEGISLATION

The 2000 Idaho Legislature approved Senate Joint Resolution No. 107 (SJR 107), which, as approved by the electors voting at the November 7, 2000, state general election, amended the Idaho Constitution by the addition of a new Section 2A of Article 8.

The constitutional amendment:

1. Authorized the legislature to enact laws authorizing the state to establish a bond bank authority to purchase the bonds, notes or other obligations of a municipality ("municipality" is defined as a county, city, school district, or any other special district or political subdivision of the State) and to lend money to a municipality with such loan being secured by the bonds, notes or other obligations of the borrowing municipality.
2. To enable the bond bank authority to obtain funds to purchase the bonds or other obligations of or to make loans to municipalities, authorized the legislature to enact laws authorizing the bond bank authority to issue revenue bonds, notes or other obligations payable from or secured by the bonds, notes or other obligations of one or more municipalities, and to pledge or otherwise obligate specific funds or revenues of the state as a source of payment or security for its bonds, notes or other obligations. The legislature may also authorize the authority to establish debt service reserves and credit enhancement provisions for its bonds and obligations, and to establish a revolving loan program to purchase municipal bonds, notes or other obligations and to lend money to municipalities.
3. Authorized the legislature to enact laws authorizing a municipality, in addition to its other powers but subject to the requirements of Section 3 of Article 8 of the Idaho Constitution (requiring voter approval of municipal indebtedness except for "ordinary and necessary" expenses), to issue bonds, notes or other obligations to secure loans received from the bond bank authority, to levy and collect property taxes, fees, rates, changes, and other assessments to pay and secure the bonds, notes and other obligations issued by the municipality for sale to or as security for loans received from the authority, and to pledge and assign the same to pay or secure its bonds, notes and other obligations.

SJR 107 further provided that any debt or liability of the state arising as a result of the exercise of the powers authorized by this amendment shall not be deemed to be a "debt" of the State for purposes of Section 1 of Article 8 of the Idaho Constitution (generally requiring voter approval of state indebtedness).

The 2001 Idaho State Legislature enacted, and the Governor, on March 23, 2001, signed into law, Senate Bill No. 1174, creating a new Title 67, Chapter 87, Idaho Code, to establish a state bond bank authority pursuant to the constitutional amendment (the "Act"). The Act, which took effect on July 1, 2001, creates an independent public body corporate and politic to be known as the Idaho Bond Bank Authority (the "Authority"). The Authority is declared to be an instrumentality of the state within the State Treasurer's office, but with a legal existence independent of and separate from the state. The authority shall consist of five (5) members: the State Treasurer or his designee; one member of the Idaho State Senate appointed by the president pro tempore of the senate; one member of the Idaho House of Representatives appointed by the speaker; and two members appointed by the Governor. The Authority is authorized, among other powers, to issue bonds payable from or secured by municipal bonds of one or more municipalities (including cities, counties, school districts, and other political subdivisions), to purchase municipal bonds, to pledge sales tax revenues of the state as a source of payment or

security for bonds issued by the Authority, and to establish debt service reserve funds for its bonds.

The Act provides an intercept mechanism whereby the State Treasurer may make payments on the bonds of participating municipalities and, if reimbursement is not timely made, intercept the receipt of any payment of property taxes, sales tax moneys to be distributed to the defaulting municipality, or any other source of operating moneys provided by the state to the defaulting municipality. In addition, if moneys expected to be intercepted pursuant to the intercept mechanism are expected to be insufficient to reimburse the state for its payments on the bonds, the State Treasurer shall cause moneys to be transferred from the State sales tax account and deposited into the Authority's fund (so long as such transfer does not "impede or otherwise affect the payment of sales tax moneys pledged for the payment on other outstanding state bonds"). Any pledge of sales tax revenues made by the Authority is a binding lien on the sales tax revenues so pledged.

The 2002 Idaho State Legislature, by enactment of House Bill No. 669 (effective July 1, 2002), made certain technical amendments to the Act.

The State does not anticipate that the Act will have any significant fiscal impact on the State, its property, or its ability to pay the principal of and interest on the Notes as the same become due.

SCHOOL SAFETY AND HEALTH REVOLVING LOAN AND GRANT FUND

The 2000 Idaho Legislature enacted House Bill No. 668, which was signed into law by the Governor on April 12, 2000, with an effective date retroactive to January 1, 2000. House Bill No. 668 is a legislative response to the school funding litigation (described under "LITIGATION" elsewhere in this Official Statement). It requires school districts to make annual health and safety inspections of school facilities, to abate any unsafe or unhealthy conditions, and to apply lottery fund receipts to that purpose. It also authorizes a school district which is levying taxes at the maximum authorized rate and which has insufficient funds to finance its abatement needs to apply to the State Treasurer for a loan from the school safety and health revolving loan fund (the "Loan Fund").

House Bill No. 668 creates a new Section 33-1017, Idaho Code, to establish the Loan Fund. The State Treasurer is authorized to make loans from the Loan Fund to qualified school districts. The loan shall be approved if the district's loan application meets the criteria of Sections 33-1613 and 33-1017, Idaho Code. The legislature has appropriated the sum of \$10,000,000 for this purpose; however, if the state board of examiners finds that existing and anticipated loans have depleted the Loan Fund to be the extent that it does not have sufficient money available to loan to eligible districts, the board of examiners shall declare that additional loans may be made from the budget stabilization fund created by Section 57-814, Idaho Code. The term of any loan shall not exceed ten years, but the treasurer may extend a loan for an additional ten years. The interest rate on the loan shall be the average rate of interest available to other funds in the State Treasury, as determined by the state treasurer.

The State Treasurer may impose reasonable fiscal conditions on a borrowing district during the term of the loan repayment, including, but not limited to, restriction in the use of otherwise unrestricted district moneys to assist in the repayment of the loan.

The 2001 Idaho Legislature, by passage of House Bill No. 315, which was signed into law by the Governor on April 4, 2001, with an immediate effective date, amended several sections of the Idaho Code, including the statutes relating to the Loan Fund. House Bill No. 315 amends Section 33-1017, Idaho Code, to redesignate the fund as the “school safety and health revolving loan and grant fund”, and provides that a school district that has borrowed from the Idaho safe school facilities loan program may apply for a grant of interest from the safety and health revolving loan and grant fund. Senate Bill No. 1431 of the 2002 Idaho Legislature, which went into effect on March 21, 2002, further amended the law so as to apply to bond issues as well as to school plant facility levies. The legislation establishes certain conditions of eligibility for a

directed pursuant to appropriation”. The index for each school district is based on each school district’s market value per support unit for equalization purposes, and the average annual seasonally-adjusted unemployment rate and the per-capita income for the county in which a plurality of the school district’s market value for assessment purposes of taxable property is located. Under the Support Program, school districts with a value index below one (1) shall be eligible to receive additional state financial assistance for the amount of annual bond interest and redemption payments made on bonds passed on or after September 15, 2002; provided, that any school district shall receive no less than 10% of the interest cost portion of its annual bond interest and redemption payment for bonds passed on or after September 15, 2002. The Support Program may not be utilized to refinance existing debt.

No moneys were appropriated by the 2002 Idaho Legislature for the Support Program for the 2002-2003 Fiscal Year. Because the Support Program applies only to school bonds approved by the voters on or after September 15, 2002, it is not anticipated that monies for the Support Program will be required for the 2002-2003 Fiscal Year. It is not known at this time what the fiscal requirements for the Support Program for future fiscal years will be, or whether the Idaho Legislature will fully fund the Support Program.

OUTSTANDING OBLIGATIONS OF THE STATE

The State has no outstanding general obligation bond debt.

The Idaho Housing and Finance Association

The Idaho Housing and Finance Association (formerly Idaho Housing Agency) (the “IHFA”), an independent public body, corporate and politic, was created in 1972, by the Idaho Legislature under the provisions of Chapter 62, Title 67 of the Idaho Code, as amended (the "Act"). The Act empowers the IHFA, among other things, to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons and families of low income residing in the State of Idaho, and, in addition, to coordinate and encourage cooperation among private enterprise and State and local governments to sponsor, build and rehabilitate residential housing for such persons and families.

The IHFA is governed by seven commissioners, appointed for alternating four-year terms by the Governor of the State, one of whom is selected chairman by the Governor. The vice chairman and secretary-treasurer are elected annually by the entire Board of Commissioners. The State Treasurer serves as an advisory Board member.

The IHFA has no taxing power and neither the State nor any political subdivision thereof is liable for its bond or other indebtedness. At the time of the IHFA’s inception, the Idaho Legislature enacted a continuing appropriation of the State Sales Tax Account as additional collateral for designated bond issues or portions thereof. The Legislature has eliminated the continuing appropriations for all IHFA bonds issued on or after January 1, 1996.

No claims have ever been made by the IHFA for state sales tax funds and none are anticipated. The Agency's mortgage loans are either guaranteed by Federal agencies, insured by private mortgage guarantee policies or collateralized by the IHFA’s net assets. The aggregate amount of bond debt supported by Idaho State Sales Tax totaled \$29.6 million and \$44.0 million at December 31, 2001 and 2000, respectively.

As of December 31, 2001, 94.74% of the total bond debt has been used to purchase single-family mortgages, 5.26% has provided the construction and permanent financing for multifamily developments.

As of December 31, 2001, the IHFA's outstanding bond indebtedness was \$1,795.3 million. Fund balances, including reserves, were \$165.9 million.

The Idaho Health Facilities Authority

Organized in 1972, the Idaho Health Facilities Authority ("the Authority") is an independent public body politic, and corporate, constituting a public instrumentality of the State of Idaho. The Authority is comprised of seven members appointed by the governor to staggered five-year terms. The Executive Director is hired by and serves at the pleasure of the Authority members.

The Authority has the power, among others, to issue tax-exempt revenue bonds or notes and re-lend the funds to governmental and not-for-profit health facilities in Idaho to (a) finance and refinance outstanding indebtedness for health facilities and (b) provide additional facilities for the development and maintenance of public health, health care, hospitals and related facilities.

These debt instruments do not directly, indirectly, or contingently obligate the State or any political subdivision thereof to levy any form of taxation or to make any appropriations for the payment thereof and any such levy or appropriation is prohibited.

As of December 31, 2001, the total outstanding indebtedness of the Authority was \$488,247,634.

The Idaho State Building Authority

The Idaho State Building Authority (the "Authority") is a public corporation of the State established in 1974 by the State of Idaho under the provisions of the Idaho State Building Authority Act. The Act empowers the Authority, among other things, to issue notes and bonds to finance construction or acquisition of facilities for rental to the State governmental bodies with the approval of the Legislature.

The Authority is governed by seven commissioners appointed by the Governor to serve staggered five-year terms. The commissioners of the Authority, in turn, appoints an executive director.

Bonds, notes or other obligations of the Authority are not a debt or obligation of the State of Idaho, nor of any department, board, commission, agency, political subdivision, body corporate and politic or instrumentality of or municipality or county within the State of Idaho, nor shall the bonded debt be payable out of any funds other than those of the Authority. The Authority has no taxing power.

As of December 31, 2001, the Authority's outstanding bond indebtedness was \$107,149,113.

The Idaho State Lottery

The Idaho State Lottery was established in 1989. Total sales for FY-2001 were \$81,744,069. Net proceeds for that year totaled \$15 million and are divided equally between the Permanent Building Fund, for use in carrying out state public works projects and the Public School Building Fund for distribution to Idaho's Public School Districts.

Idaho Code stipulates that the State Treasurer will invest Lottery receipts and the interest generated on the Lottery Account balance will be transferred to the General Fund. Interest earnings for FY-2001 were approximately \$450,000.

Public Employees' Retirement System of Idaho

The Public Employees Retirement System of Idaho ("PERSI") covers eligible employees who work 20 hours per week or more. The membership of PERSI includes employees of the State of Idaho, including state colleges and universities, employees of political subdivisions, (*e.g.*, counties, cities, hospitals) and local school districts. As of June 30, 2001, PERSI had 62,125 active members, 18,723 inactive (of whom 6,585 are entitled to vested benefits), and 23,253 annuitants. PERSI collects contributions from employees and employers to fund retirement, disability, death and separation benefits, as provided by Chapter 13, Title 59, Idaho Code. The 2000 session of the Idaho Legislature added a gain sharing feature to the PERSI plan by which excess assets in the DB plan are allocated to employees, employers and retirees. In 2000 the Retirement Board approved an allocation of \$155.381 million to gain sharing, with 50% to employers in the form of a credit against future contributions, 38% to employees in the form of a contributions to their personal 401 (k) account and 12% to retirees in the form of a 13th check paid in January of 2001. Because of the poor investment markets gain sharing did not occur in 2001.

As of July 1, 2001, because of poor investment markets the PERSI unfunded actuarial liability (UAL) exceeded the system assets by \$186.3 million excluding the 2002 COLA (\$41.9 million). In conformance with GASB Statement No. 25 the Actuarial Required Contribution (ARC) is .49% of pay and, according to GASB Statement No. 27, the Annual Pension Cost (APC) is equal to the ARC therefore the Net Pension Obligation is zero. After actuarial review, the PERSI Retirement Board determined the current schedule of contribution rates will meet the normal cost of the system as they accrue and will fund the unfunded actuarial liability (UAL) within the statutory maximum periods of 25 years (12.9 years after COLA). The funded ratio of the PERSI system (assets divided by the actuarial accrued liability) is 7.2% as of July 1, 2001 before adjustments for COLA. The PERSI funded ratio after COLA adjustment was 96.6% funded ratio.

The employer contribution rate in effect on July 1, 2000 is 9.77% for General Members and 10.01% for Police Officer Members. With the exception of police and fire fighter members, the member contribution rate is 5.86% of salary. The employee contribution rate for police and fire fighters is 7.21% of salary.

The PERSI actuary has confirmed that the current schedule of contribution rates will meet the normal costs of the system as they accrue.

The Idaho State Insurance Fund

The Idaho State Insurance Fund (the "Fund") was created in 1917 by the Idaho State Legislature to insure employers against liability under the Workers' Compensation Act. The Fund is an independent body corporate politic and is to be administered without liability on the part of the State (Idaho Code Section 72-901). The money in the Fund does not belong to the State and is not in the State Treasury within the meaning of article 7, section 13 of the Constitution (State v. Musgrave, 84 Idaho 77, 370 P.2d 778 [1962]). It is deposited with the State Treasurer as custodian and is held by the Treasurer as such for the contributing employers and the beneficiaries of the compensation law and for the payment of the costs of the operations of the Fund. All public employers are required by law to obtain their workers' compensation insurance through the State Insurance Fund or self-insure (Idaho Code Section 72-301). Private employers may, at their discretion, also procure workers' compensation insurance from the Fund.

As of December 31, 2001, the Fund had a surplus (fund balance) of \$80.7 million. The Fund has no bonded debt.

The manager, who is hired by the Board of Directors, administers the Fund. The Board is appointed by the Governor. The manager of the Fund is also the trustee for the Idaho Petroleum Clean Water Trust Fund (the "Trust Fund"), a not-for-profit state entity created in 1990 by the legislature to indemnify tank owners and operators from petroleum storage tank releases. Statutorily, neither the Fund nor the State has any liability for the Trust Fund's obligations (Idaho Code Section 41-4904(7)).

As of December 31, 2001, the Trust Fund had fund balances of \$33 million. The unencumbered fund balance is \$28.9 million. The Trust Fund has no bonded debt.

OUTSTANDING DEBT OBLIGATIONS OF STATE MUNICIPALITIES

The State Treasurer's Office established and maintains the Idaho State Debt Repository (ISDR) under Idaho Code §67-1222, passed in 1989. The ISDR maintains current information about municipal offerings. This database is statewide in scope and maintains records on over 1,000 issuers.

TAX EXEMPTION

General. In the opinion of Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, Bond Counsel, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provided the requirements of the Code described in this section under the heading "Continuing Requirements" are complied with.

The Notes are not private activity bonds and interest on the Notes is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Notes is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code as more fully described in this section under the heading "Certain Federal Income Tax Consequences."

Except as described herein, Bond Counsel expresses no opinion on any federal, state or local tax consequence arising with respect to ownership of the Notes.

Continuing Requirements. The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Notes, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Note proceeds and the facilities financed or refinanced with such proceeds, limitations on the investment of Note proceeds prior to expenditure and a requirement that excess arbitrage earned on the investment of Note proceeds be paid periodically to the United States. The Issuer has covenanted in the Note documents that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Issuer contained in the Note documents pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Notes for federal income tax purposes and, in addition, will rely on representations by the Issuer with respect to matters solely within the knowledge of the Issuer, which Bond Counsel has not independently verified. If the Issuer should fail to comply with the covenants in the Note documents or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Notes could become taxable from the date of delivery of the Notes, regardless of the date on which the event causing such taxability occurs.

Certain Federal Income Tax Consequences. The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular Note holders. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. One of the adjustments is 75 percent of the amount by which a corporation's adjusted current earnings exceeds the corporation's alternative minimum taxable income (determined without regard to such adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, such as the Notes, is included in a corporation's adjusted current earnings.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for small business corporations that had average gross receipts of less than \$5 million for the 3-year period beginning after December 31, 1994, and such small business corporations will continue to be exempt from the corporate alternative minimum tax so long as their average gross receipts do not exceed \$7.5 million.

Financial Institutions. The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax exempt obligations, such as the Notes.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The deduction for loss reserves for property and casualty insurance companies is reduced by 15 percent of the sum of certain items, including the interest received on tax-exempt bonds, such as the Notes.

Social Security and Railroad Retirement Benefits. The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that is exempt from federal income tax.

Branch Profits Tax. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Notes.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income, which includes interest on tax-exempt obligations, such as the Notes, may be subject to a tax on excess net passive income.

In the opinion of Bond Counsel, interest on the Notes is exempt from present State of Idaho personal income taxation.

CONTINUING DISCLOSURE UNDERTAKING

The State has covenanted in the Plan of Financing that it will provide, in a timely manner, to the Municipal Securities Rulemaking Board (“MSRB”) or to each Nationally Recognized Municipal Securities Repository (“NRMSIR”) recognized by the Securities and Exchange Commission (“SEC”), notice of the occurrence of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financing difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Notes; (7) modifications to rights of Noteholders; (8) Note calls; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes; or (11) rating changes.

The State will also provide notice in a timely manner to the MSRB if the State has materially failed to comply with its disclosure undertakings. The State has never failed to comply with a prior written continuing disclosure undertaking made pursuant to SEC Rule 15c2-12.

The currently recognized NRMSIRs include Standard & Poor’s J.J. Kenny, 55 Water Street, 45th Floor, New York, New York 10041; Bloomberg Financial Markets, 100 Business Park Dr., Skillman, New Jersey 08558-3629; DPC Data, Inc., One Executive Drive, Fort Lee, New Jersey 07024; Interactive Data, 100 William Street, New York, NY 11038.

The continuing disclosure undertakings described above have been made for the benefit of the Noteholders. Noteholders may enforce specific performance of the undertakings by any available judicial proceeding. However, the failure of the State to perform the undertakings hereunder shall not constitute an event of default with respect to the Notes or result in monetary damages.

APPROVAL OF LEGALITY

The legal matters incident to the authorization, issuance and sale of the Notes and with regard to the tax exempt status thereof as described under the caption "Tax Exemption" are subject to the approving opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel. The form of the approving opinion of bond counsel is set forth in Appendix C to the Official Statement. Certain matters will be passed upon for the State by the Attorney General of the State.

RATING

Moody's Investors Service, Standard and Poor's Corporation and Fitch IBCA have assigned the 2002 Notes the rating of MIG-1, SP-1+, and F1+ respectively. An explanation of the significance of such rating may be obtained from the rating agency. The State has furnished certain information and materials with respect to the State and the Notes to the rating agencies. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the credit rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

Banc of America Securities LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase all of the Notes from the State at a price equal to \$354,441,500, plus accrued interest, if any, and will re-offer the Notes at a price of \$354,704,000, plus accrued interest, if any. The underwriting spread on the Notes is \$0.75 per \$1,000 of principal. The Underwriter has advised the State that the Notes may be offered and sold to certain dealers (including dealers depositing the Notes into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of the Official Statement and that such public offering price may be changed from time to time.

MISCELLANEOUS

All summaries herein of the provisions of the Constitution of the State of Idaho, acts of the State Legislature, other documents and instruments and of the Notes are made subject to all the detailed provisions and judicial interpretations thereof to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

All estimates and assumptions in the Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement has been duly approved, executed and delivered by the State.

/s/
Ron G. Crane, State Treasurer

Dated:

APPENDIX A

SELECTED DATA ON THE STATE OF IDAHO

Idaho State Government

State Government in Idaho originates from the State Constitution adopted at the constitutional convention of August 6, 1889, and ratified by the people in November of the same year. Congress approved the Constitution and admitted Idaho to the Union on July 3, 1890.

The Executive Department

The Idaho Executive Department consists of seven constitutionally empowered elected officials-- Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction.

The Governor is vested with the "supreme executive power." The Governor appoints department heads and members of boards and commissions. In extraordinary occasions, the Governor can convene special sessions of the Legislature. The Governor gives final approval, by signing, of bills passed by the Legislature, and has the power to veto bills but must list the objections. The Legislature can override a veto by a two-thirds vote of each chamber.

The Lieutenant Governor presides over the State Senate and, when the Governor is absent from the State, serves as Acting Governor. In case of vacancy for any reason in the Governor's office, the Lieutenant Governor succeeds to that office.

The Secretary of State is primarily a ministerial official. The Secretary of State is the custodian of records, including those of corporations, and of the Great Seal of the State of Idaho. The Secretary of State is the State's Chief Election Officer and has administrative duties as a member of the Board of Examiners, the State Land Board, and State Board of Canvassers.

The State Controller, as Chief Accounting Officer, is responsible for the accounting records, and is the State's cash disbursement officer. The Controller is also responsible for maintaining the statewide system of internal control procedures. The Controller is the State Administrator of Social Security, a member of the State Land Board, ex officio Secretary of the Board of Examiners, and a member of the State Board of Canvassers.

As Idaho's Chief Financial Officer, the State Treasurer receives all State revenues and fees, and is cash manager and investor for all State revenues. The State Treasurer pays all State bills by redeeming State warrants, and is custodian of the Worker's Compensation Fund and the Public School Endowment Fund. The State Treasurer also is a member of the State Board of Canvassers, and serves as advisor to the Idaho Housing and Finance Association.

The Attorney General is the Chief State Legal Officer and represents State officers and agencies in legal matters. The Attorney General must provide legal opinions in writing when requested by government officials. The Attorney General is required to supervise all county prosecuting attorneys and to assist them in law enforcement if they so request. The Attorney General is in charge of consumer protection laws and has jurisdiction to enforce State antitrust laws. The Attorney General is a member of the Board of Examiners and the State Land Board.

The State Superintendent of Public Instruction is an ex-officio and voting member of the State Board of Education, the executive officer of the State Department of Education and advisor to school districts on all aspects of education. The State Superintendent also is a member of the Endowment Funds Investment Board and of the State Land Board and serves as ex-officio member of the State Library Board.

Description of Area

Idaho, located in the northwestern portion of the United States, is bordered by Washington, Oregon, Nevada, Utah, Wyoming, Montana and Canada. Idaho's land area consists of 82,751 square miles of varied terrain including prairies, rolling hills and mountains with altitudes ranging from 736 feet to 12,662 feet. The rugged beauty of the land and easy access to many outdoor activities such as boating, fishing, hunting and skiing help to make tourism and recreation a growing industry.

Although located in the arid West, Idaho has enormous water resources which have dominated its history and development and may prove equally important to its future. There are 26,000 miles of rivers and streams and more than 2,000 natural lakes. Three of Idaho's rivers--the Clearwater, the Kootenai and the Salmon--are more than half as large as the Colorado. The Snake River Plain Aquifer is one of the largest fractured basalt aquifers in the world. Equally important to quantity is the quality of Idaho's waters, which remains outstanding. The drop in elevation of rivers like the Snake allow valuable hydropower production, affording the State some of the lowest electricity rates in the nation.

Idaho enjoys a broad base of economic wealth ranging from extensive mining and timber resources to notably-productive agricultural lands which are benefited by a highly-developed series of man-made reservoirs and irrigation systems. More than four million acres are irrigated in the Snake River Basin, placing Idaho fourth in the nation for irrigated acreage.

Idaho traditionally has been an agricultural State. Livestock, beef, dairy cattle, and sheep are important to the economy, while the major crops of Idaho's farmers include potatoes, wheat, barley, sugar beets, peas, lentils, seed crops and fruit. Major manufacturing industries include food processing, forest products, phosphate processing, and electronics. Mining has played an important role in the development of the State with phosphate rock, silver, lead, zinc and molybdenum among the resources mined.

Boise Standard Metropolitan Statistical Area

There is only one Standard Metropolitan Statistical Area (SMSA) in Idaho and it includes all of Ada County. The Boise SMSA, located in the southwestern part of the State, has the largest population of any county in Idaho. The Bureau of Census estimated the population to be 403,817, as of 2000. Boise is the capital city of the State and is a center of activity for business and government.

Like the rest of the State, Ada County has a mild climate; yet it experiences four definite seasons during the year. Although the City of Boise itself is green with trees and other plants, the surrounding area is naturally desert-like and farmers must rely heavily on irrigation to maintain their crops.

The other 198 cities of Idaho are distributed throughout the State in a mixture of urban and rural areas which allow for a wide variety of lifestyles.

IDAHO ECONOMIC OVERVIEW AND OUTLOOK

Prepared by the College of Business and Economics, University of Idaho

Idaho Economic Forecast And Outlook

Idaho's economy paused to catch its breath in the last quarter of 2001, having completed 11 years of an economic expansion that made Idaho one of the five fastest growing states in the nation. With agricultural employment holding steady at 35,000, and a strong start for its restructured economy, Idaho's total employment posted an all time high of 645,000 in 2001 an increase of 3.6% over 2000. The unemployment rate for 2001 held at 4.9%, the same level realized in 2000. The slowing of the economy during the latter part of 2001 forced the unemployment rate to above 5% for the last two months of 2001, and the expectation is that the annualized unemployment rate will be 5.6% for the first half of 2002. Although employment reductions are expected to continue in the natural resource based industries, the monthly unemployment rate will decline beginning late in the second quarter of 2002. Economic contractions have been concentrated in the manufacturing industries, while employment in the service producing industries of Idaho's economy continued to grow at more than twice the rate of the nation's service sector. For 2002, the overall service sector's employment growth will exceed 1.4%, down from the 2.5% growth rate for 2001. One of the strongest industry employment growth rates for 2001 was realized in the health service industries, recording a 9% growth for that year. Growth in service jobs will exceed 2% in 2003 and 2004, and the goods producing sector will return to positive growth over that same period.

The declines in employment translated into slower growth in personal income. Personal income in current dollars, which slipped to a 4.7% rate of increase in 2001, will post a 4.5% expansion in 2002 before returning to the 5.5% growth rate for 2003 and 2004. The low inflation rate is expected to continue, generating a 2.5% real income growth for 2002. A slowing economy will result in net migration to Idaho declining to half of the rate realized for the 1990s. Overall, the population growth rate for the first half of the current decade is expected to come in at or just below the 1.2% level. This reduction should provide a welcome relief to the pressures on housing prices and the growth in the demand for state and local government services. Low mortgage rates and the stock of houses will combine to keep the housing markets active, but housing starts will not have positive growth rates until 2004. The downward trend in housing starts is one of the factors contributing to the problems being experienced by the goods producing sector.

A Short Lived Drought?

The 2000-2001 winter brought relatively few snowstorms and the snow stayed around for a long time. Because the snow had a low moisture content there was an insufficiency of water for all uses. Idaho Power instituted a buy back program to shift water from irrigation to hydroelectric generation, and imposed a 31% increase in the rates charged for irrigation pumpers. A total of 429 farmers sold their water claims, idling a combined 154,439 acres of land. This year's winter brought an abundance of snow to most of the State's watersheds. Consequently, this winter

provided great opportunities for the winter recreation industry, and the assurance for plenty of water from the spring runoffs to refill most, if not all, reservoirs. Overall this water year is coming in at moisture levels that are well above average for the northern part of the state. In the Panhandle moisture levels were approaching 115% of average. In the middle and southern parts of the state this winter's moisture is between 80 and 90% of average. What this means for Idaho is plenty of water in the reservoirs for agricultural crops, hydroelectric power, salmon recovery programs, and summer tourism derived from recreation uses of rivers and reservoirs.

Last year's drought conditions, generally depressed crop prices, increasing production costs, and with water buy backs combined to yield the smallest number of acres planted in wheat since 1988, only 1.28 million acres. Those acres yielded 88.7 million bushels of wheat in 2001. The dry bean harvest that year was down 21%, the lowest in 65 years, partly in response to the lowest prices since 1936. Prices for dry beans and cattle have improved slightly of late, while the prices of hay, barley and wheat were up by more than 25% during 2001. The largest price increases were for potatoes and milk, which saw prices jumped in excess of 45%. Other news on the plus side was the increased diversity in agriculture crops, which contributed to the 2001 total farm receipts improving to more than \$3 billion. With 6% of the farms accounting for 68% of the receipts, farm income in 2001 exceed \$800 million, a 6% increase over 2000. Dairies, one of the strongest segments of the agricultural markets, recorded a 35% increase in receipts last year, earning over \$1 billion. The onion growers saw their sales rise in value by 29 %, while hay and meat sales increased 6%. Farm proprietors' income increased by 23.5% in 2001 and is expected to continue to increase marginally in each of the next three years.

The declines in the number of acres planted in sugar beets and potatoes, and a lower average yield per acre, contributed to the food processing sector's employment decline during 2001, extending a general downward trend. Although the net loss of 200 jobs last year was relatively small, this sectors total employment has been hovering around 17,500 for seven years. Typically plant closures in one area have been offset with a new facility elsewhere, and this restructuring and realignment will continue over the forecast period. Some of the positive events for this sector last year were found in Grupo Modelo's decision to build a \$64 million malting plant in Idaho, augmenting Anheuser Bush production and purchases of Idaho crops. Progress was also made on the planning of a \$27 million ethanol plant in Payette County. That plant would use 5 million bushels of wheat and corn to produce 15 million gallons of ethanol annually. Also announced last year was Seattle's Westfarm Foods' plans to build a 70,500 square foot dehydration plant in Jerome, which will have the capacity to convert 3.3 million pounds of milk per day.

Overall food processing employment should continue to experience minor ups and downs, geographical shifts, and movements from the canned, cured, frozen food group of industries to the other food processing group. If there are any increases or decreases in this sector's total employment they will be less than a 1% shift.

The Continuing Plight Of Natural Resource Based Industries

The economy of the northern part of Idaho has relied heavily on mining and forestry, the traditional natural resource based industries. In the late 1970s employment in lumber and wood products employment peaked at 19,000 and mining contributed over 5,200 jobs to the State's economy. During that period of time, metal mining accounted for over two thirds of this sector's jobs. Declines in mining employment began in the 1980s, and continue to date. In 2001 mining employment fell by 13.5% to 2,097, and metal mining now accounts for well less than one half

of all mining jobs. The loss of the Sunshine Mine and additional cutbacks at Hecla's Lucky Friday Mine were the latest blows to this industry. Elsewhere in the state the closures of the Chem Astaris and Kerr-McGee phosphorus plants will further reduce overall employment in the mining and chemical sectors, leaving the mining industry with a heavier reliance on stone, clay and gravel production.

At the same time as the natural resource industry was facing its difficulties, forestry and wood products began to suffer from declines in timber supplied from national forests and increased competition from the Canadians. Access to 9 million acres of national forests is restricted by roadless areas policies, while limitation on salvage sales exacerbated the timber supply problems. The added competition from Canadian firms became a major factor when the agreement limiting timber imports expired early in 2001 resulting in the Canadian share of the market rising to 25%. In response to complaints filed under NAFTA by U.S. companies two import duties have been imposed on Canadian wood products, a 19.3% unfair subsidy based duty and a 9.7% dumping duty. Negotiators are continuing to work out a new trade agreement, but by many accounts the lumber and wood products industry is not poised for a recovery. Since the 1990s approximately one half of the saw mills in the Pacific North West have closed, and all but a few in the northern part of Idaho. Last year Crown Pacific's Coeur d'Alene sawmill, Boise's, formerly Boise Cascade, Emmett and Cascade mills, and the Potlatch's Jaype Plywood mill all closed. Potlatch continues to operate its Lewiston mill, but that mill has experienced a series of temporary shutdowns during the last year, as did the Louisiana Pacific's mill in Bonners Ferry. Potlatch reported losses of \$80 million for 2001, the worst performance in its 98 year history, and closures of some of its plants in states other than Idaho.

The future for Idaho's forest industry was always difficult to predict because of a multi-objective forest policy and international trade agreements. This is no longer the case. When all major factors are considered, overall employment for forest products industries is projected to continue its decline at an average annual rate of 4.5% for the next four years. Employment in this natural resource based industry is expected to stabilize at 9,000 jobs, well less than half of its previous peak level.

Near Future Not Bad For Most Goods

Having considered bad news associated with the industries closely linked to natural resources, the economic conditions for the remaining industries in the goods producing sector are better by comparison. The major manufacturing players remaining are the firms in the "construction", "high technology", "paper, printing and publishing", and "other manufacturing" categories. Industries that are listed in the "other industries" category, both durable or non-durable, are expected to expand their employment at nearly a 2% rate in 2002, then post gains of 4% to 5% for 2003. This amalgam of industries will perform better than their counter parts at the national level, increasing Idaho's share of those markets. The "high technology" and "paper, printing and publishing" sectors are expected to join the other manufacturing firm in 2003 by posting positive rates of employment growth. The net result is that overall durable manufacturing and non-durable manufacturing will register rates of growth of 3.3% and 1.2% respectively for the 2003 through 2005 time period, more than offsetting the employment reductions in the natural resource based industries.

One of the bright spots for Idaho's industries, which holds promise for the future, was the value of goods being traded in world markets. Last year the value of high technology goods traded in

export markets increased 59% to \$3.8 billion, including \$1.9 billion in components and \$1 billion in equipment. Processed food products exported were valued at \$258 million, and if raw agricultural goods were included the agricultural related market expanded 13% over the year. Singapore was the destination for most of the state's exports, claiming more than \$1 billion of Idaho products. The United Kingdom, Canada and Mexico increased their purchases of Idaho products by 57%, 44% and 66% respectively.

Construction

A major determinant of construction employment is the demands of households for new residences, which in turn reflects population and income growth, and financial markets' conditions. Throughout the 1990s Idaho personal income posted major gains, and many families moved up to bigger and better houses. That growth in housing demand was augmented by net in migration of families. Housing starts for that period went from just over 5,000 units in 1990 to well over 11,000 units in 2000. For 2001, housing starts were not much changed from the previous year's level, and are expected to decline by 3.7% during 2002. The number of housing starts should stabilize in 2003 and 2004, with about 10,000 new units in those years, twice the number of new units started at the beginning of the last decade. Commercial construction, a component of business investment, declined in 2001 and is expected to remain low through 2002. Most economists expect the recession to be relatively short lived, with recovery beginning during the spring and summer of 2002. With recovery, personal income growth will return to the 6% per year level and the growth in real business investment will go from its current negative 2% to a positive 5% for 2003 and 2004. With the aggressive fiscal and monetary policies being pursued at the national level, and the state's household and business tax cuts, a quick economic recovery for Idaho is assured.

In other construction industry news, the Washington Group International Inc., which acquired Boise's Morris Knuden Corp., filed for Chapter 11 protection, and the Bankruptcy court has approved its reorganization plan. This international construction company eliminated 8,000 of its 38,000 employees. Fortunately only a very small fraction of those job losses were in Idaho.

Although Idaho will not repeat the building boom that began in 1989, the construction industry will begin its recovery by the latter half of 2004, and post increases in employment for 2005. Construction employment will remain above 35,000 jobs for the 2002 through 2005. To add perspective on this level of activity in the construction industry, the level of employment expected in the near term is more than double the 1989 level of employment.

High Technology Firms

Idaho's high technology firms constitute the largest industry group in Idaho's manufacturing sector, providing 12.6% of the payrolls and 5.4% of the jobs in the state. This sector's employment growth trend that began in 1987 slowed considerably in 2001. A slight decline in high tech employment, and will be reversed later in 2002. An anomalous employment decline of 3,000 jobs occurred in this sector last year. High technology will reestablish its traditionally strong, positive growth in employment by 2003, returning to its historical growth trend that made Idaho the nation's fastest growing high technology state. Idaho's economy, which ranks sixth in the nation for semiconductor manufacturing, will continue to move in the same direction as this market.

The Treasure Valley is Idaho's counterpart to California's Silicon Valley. Employment at the 1,902 firms located in that area peaked at nearly 38,000 before the declines of last year. Micron, one of the major employers in the Boise area, had a very busy year. To name a few of its 2001 projects Micron worked with Intel to create a new line of networking solution, was selected by Microsoft to provide chips for its new "XBOX" video games consoles, introduced BATRAMs, started construction with DuPont Photomasks on a \$150 million facility, opened a \$200 million research and development facility, and was involved in a series of acquisition. If the past is a good predictor of the future, Micron is poised for significant growth throughout this decade.

Other firms in Idaho's high technology sector were also active last year. Hewlett-Packard sold its VeriFone to Gore Technology, started a \$6.25 million expansion and remodeling project at its Inkjet manufacturing facility, and introduced several new software suites. As the merger of Hewlett-Packard and Compaq proceeds, some changes and realignments may impact the operations of Boise area facilities. With all these changes, the area's high technology firms seem to be taking advantage of Boise's excellent business climate. Using an index based on growth in wages, salaries, and employment, and high technology clustering, Forbes Magazine ranked the area's business climate seventh best in the nation for 2001. Overall, employment growth at high tech firms is expected to post better than 6.5% increases in 2003, 2004 and 2005, after declining by 2% in 2002.

Services Remain Strong

Non-farm employment increased by 171,252, or 43%, in the last 10 years. When that employment gain is divided between the goods and service sectors, it breaks down into a 33% increase, or 28,800 net new jobs, in the goods producing sector's employment, and 44.7 %, or 142,436, more jobs in the service sector. The service sector has been generating jobs at a faster rate than the goods producing sector, and will have to be one of the leaders in the state's economic recovery. The trade sector is an important component of the services sector, accounting for almost one third of all service sector jobs. Retail sales in 2001 grew at a 3.8% rate, down from 4.5% the year before. For 2002, retail sales are projected to increase 4%, and then expand 4.6% in 2003. Employment growth in the trade sector is projected at 1.3% and 2.1% for 2002 and 2003, which will boost the overall service sectors employment levels for those years by 1.4% and 2.1%.

During 2002 business and personal services will perform much better than the trade sector, posting an employment growth rate twice that of the trade sector. Most of the other industries in the private service sector will perform at the same level in employment growth as the trade sector. One of the reasons for the rapid employment growth in the business services is the rapidly expanding number of call centers in almost every part of the state. These centers provide market research, customer assistance and services, sales, and, of course, telemarketing.

Employment growth for the public service sector, or federal state and local government agencies, will provide the weakest job growth. With rapid population growth tapering off, the increase in the demands for local public services will moderated, allowing governments to catch up to the demands already placed on them. On the revenue side of the coin, the recent strong economic performance for the state resulted in significant increases in personal and corporate income taxes. The increases in retail trade substantially boosted sales tax revenues, which the state shares with local governments. The slowing in the rate of Idaho's economic growth last year, exacerbated by the events of September, caused the states general revenue fund to suffer reversals. The net result

of all factors interacting was the \$330 million tax fund surplus of fiscal 2001 has turned into a budget deficit in excess of one hundred million dollars, almost equal to the tax reductions made last year. There have been some calls for either a postponement or reversal of the tax cuts. However, those tax cuts are seen by many as an economic stimulus that could speed the recovery. In the meantime state agencies were ordered to institute a 10% permanent cut when the official estimates of tax revenues were reduced to \$1,875 million from \$2,042.5. The most recent estimates for the states budget are \$1,824.2 million, a level that has been difficult to achieve.

The losses in revenues resulted in losses in funding for virtually all state government agencies. The natural consequences of the two forces, slower population growth and budget cuts, are stable or declining state and local government employment, reductions in some public services, and increases in user fees for some government subsidized services. State and local government employment is expected to be very stable for the next two years, and many state and local government employees will forgo wage increases. By 2004 the budgetary situation will have stabilized, and state and local government employment will increase by 1% in 2004.

Budgetary problems, and changes in agricultural and forest policies at the national level will result in federal government employment in Idaho to remain at or near the 13,000 person level for the foreseeable future. When it comes to the federal government's presence, a more positive picture for Idaho is derived from the fact that the state gets back \$1.19 for every \$1 it sends to Washington, D.C. This may improve slightly because the newly authorized federal education bill will provide a \$28 million increase to Idaho's previous funding level of \$204 million. Moreover, the new farm bill promises to increase both farm and nutrition programs, most likely increasing net transfers, and augmenting Idaho's agricultural sector personal income.

A service sector niche is occupied by Idaho National Engineering and Environmental Laboratory, operated by Bechtel BWNXT, the prime contractor at INEEL. Employment at this facility is tied to the Department of Energy's budget. In 1992, INEEL had a record 12,800 people employed, while last year total employment at the site was 7,535. A series of budgetary problems has reduced operations at the site, and are projected to reduce employment an additional 200 to 400 jobs by the end of 2003. Moreover, there was a discussion during this year's federal process involving a closure of some site functions. Fortunately, INEEL escaped those additional cuts.

Recreation And Tourism

The recession and the post September 11 travel restriction combined to cause a very sluggish performance for the tourism sector of the Idaho economy. Although several hundred jobs were added for the winter 2001 season, and a like number being added this spring, the "amusement and recreation", "eating and drinking establishments", and "lodgings" industries recorded slowing sales. In 2000, the tourism industry posted a 4% sales growth rate, a rate that was expected to increase to 4.5% for the 2001-2002 time period, but fell well short of that when the travel restriction caused many to adjust their plans. The tourism industry's high hopes for spillovers from the Salt Lake City Olympics were only partly realized, however, as the economy and the nation's spirit recover so will this industry grouping. One of the tourism attractions in the northern part of Idaho that will help that recovery is the Silverwood Theme Park. Created in 1988, the park has expanded almost continuously, and currently occupies 700 acres. Last year over 360,000 people visited the park.

Tribal gaming continues to develop attracting numerous visitors to Idaho. The Coeur d'Alene Tribe shared nearly \$1 million of its 2001 casino's profit with area public schools, and so far this year has dispersed \$600,000 to 18 schools. Investments at its casino complex continue with the beginning of construction of an 18 hole golf course in 2002. Further expansion is expected in their hotel and convention center, and in the tribe's adjacent industrial park that recently opened. Over 500 people work at the casino complex, and 50 new jobs were created at the industrial park. Meanwhile, the Nez Perce Tribe recently announced plans to build a permanent structure to house its Clearwater River Casino. They also stated that they intend to construct a hotel at the site, augmenting the RV park facilities. Earlier this year the tribe relocated its It'Se-Ye-Ye Casino, which increases the visibility and access to gaming opportunities for visitors to this part of the state. The Nez Perce Tribe's casinos provide more than 568 jobs to the Idaho economy.

Summing Up

What lies ahead for the Idaho economy this and next year will parallel what will happen at the national level, albeit at a higher level of performance. The slowing of economic growth coupled with the events of September and the minor recession will be rightly put behind us. That recession, which many think is already over, never fit well with the standard definition of a recession. The economic recovery will be well in place by the second half of 2002, and employment growth in high tech and other manufacturing is projected to more than offset the slow, small declines in natural resource based industries. Overall, the state's personal income and employment growth will be stronger than that of the nation, and will approach the state's recent historic averages within four years. The service and high technology sectors will continue to lead the other industries in the state's economy, with the major sources of strength in the service sector continuing to be the trade, and business and personal services. However, the recent growth in call centers will slow, with consolidations and realignments shifting the geographic location of employment in this market.

These service sector industries are expected to post employment growth rates approaching 2% in the near term, with private sector employment being the engine of growth for services. Although budget surpluses at the federal and state level are expected to return in fiscal year 2004, growth in government federal employment in Idaho will not materialize. Growth in the state's total non-farm employment, will match the service sectors growth rates, and wage and salary payments will record 6.2% increases in each of the next three years. Personal income in current dollars will rise at a marginally slower rate as compared to wage and salary payments because farm proprietors' income increases will be limited to 1% per year for the next two years. Although Idaho may not experience the rapid increases in employment and income that came with the last record long economic expansion, its economic performance as measure by employment growth will continue to attract people, and business to the state. Idaho will return to its position of one of the fastest growing states in the nation.

TABLE 14

Unemployment	33,083	31,914	33,913	32,875	33,805	3.70%	2.40%
Percent of Labor Force Unemployed	4.90%	4.9%	5.2%	5.0%	5.3%	0.00%	-5.80%
Total Employment	648,425	625,798	621,359	620,893	599,129	3.60%	10.90%
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT - (JOBS)**							
Total Nonagriculture Wage & Salary Employment	569,715	559,252	539,169	521,777	508,564	1.90%	15.30%
Goods Producing Industries	115,081	116,026	113,581	111,239	109,438	-0.80%	8.00%
Mining	2,033	2,425	2,579	2,902	3,087	-16.20%	-33.70%
Metal Mining	805	1,221	1,425	1,692	1,865	-34.10%	-56.50%
Construction	37,558	36,432	34,881	32,261	31,906	3.10%	22.70%
Manufacturing	75,490	77,169	76,122	76,075	74,446	-2.20%	3.50%
Durable Goods	46,467	47,916	47,137	47,135	45,318	-3.00%	5.40%
Lumber & Wood Products	11,530	12,607	13,400	13,677	14,047	-8.50%	-20.40%
Logging	2,118	2,293	2,423	2,478	2,480	-7.60%	-27.10%
Sawmills & Planing Mills	4,451	4,752	4,753	5,085	5,353	-6.30%	-17.10%
Wood Buildings & Manufactured Homes	1,105	1,302	1,689	1,593	1,538	-15.10%	-27.10%
Other Lumber & Wood Products	3,856	4,260	4,535	4,521	4,677	-9.50%	-17.80%
Stone, Clay, Glass & Concrete Products	1,478	1,453	1,504	1,404	1,388	1.70%	4.00%
Fabricated Metal Products, exe. Machinery & Trans. Eqpmnt	3,008	3,031	3,026	2,949	3,087	-0.80%	3.00%
Industrial & Commercial Machinery & Computer Eqpmnt	10,093	10,457	10,188	10,947	10,775	-3.50%	-1.70%
Electric & Electronic Equipment & Supplies	14,469	14,209	12,962	12,360	10,901	1.80%	44.70%
Transportation Equipment	2,217	2,446	2,461	2,426	2,156	-9.40%	-1.20%
Other Durable Goods	3,672	3,713	3,597	3,372	2,964	-1.10%	32.40%
Nondurable Goods	29,022	29,253	28,984	28,941	29,128	-0.80%	0.70%
Food & Kindred Products	17,293	17,252	17,287	17,284	17,784	0.20%	-1.00%
Canned, Frozen & Preserved Foods, Vegetables	9,523	9,769	9,956	9,993	10,542	-2.50%	-10.80%
Paper & Allied Products	2,161	2,226	2,255	2,270	2,186	-2.90%	-0.40%
Printing, Publishing & Allied Products	5,188	5,412	5,139	5,172	4,990	-4.10%	3.30%
Chemicals & Allied Products	2,373	2,332	2,300	2,356	2,294	1.80%	1.80%
Other Nondurable Goods	2,007	2,031	2,003	1,859	1,874	-1.20%	10.20%
Service Producing Industries	454,634	443,226	425,588	410,539	399,126	2.60%	17.40%
Transportation, Communication & Utilities	28,322	27,937	26,896	25,471	23,970	1.40%	21.00%
Transportation	17,896	17,473	17,036	16,541	16,045	2.40%	12.60%
Railroad	1,307	1,454	1,465	1,477	1,582	-10.10%	-24.80%
Motor Freight Transportation & Warehousing	10,212	10,249	9,959	9,634	9,191	-0.40%	12.90%
Communication	6,436	6,478	5,900	4,961	3,914	-0.60%	76.50%
Electrical, Gas & Sanitary Services	3,990	3,985	3,960	3,970	4,011	0.10%	3.10%
Trade	141,024	140,967	136,266	132,517	128,655	0.00%	12.70%
Wholesale Trade	31,723	32,801	32,193	30,861	29,891	-3.30%	9.50%
Durable Goods	14,863	15,320	14,573	14,148	13,736	-3.00%	12.20%
Nondurable Goods	16,860	17,481	17,620	16,713	16,155	-3.60%	7.10%
Retail Trade	109,301	108,186	104,074	101,656	98,765	1.00%	13.60%
Bldg Materials, Hardware, Garden Supplies, etc.	6,538	6,584	6,435	6,049	5,723	-0.70%	12.00%
General Merchandise Stores	13,771	12,719	11,337	11,209	11,007	8.30%	31.40%
Food Stores	18,822	19,489	19,154	18,414	17,947	-3.40%	11.30%
Auto Dealers & Gas Service Stations	12,299	12,040	11,985	11,836	12,001	2.20%	0.20%
Eating & Drinking Places	38,021	37,663	36,277	35,680	34,145	1.00%	13.20%
Finance, Insurance & Real Estate	24,174	23,425	23,558	22,946	25,398	3.20%	-4.00%
Banking	7,326	7,293	7,415	7,289	7,359	0.50%	-5.30%
Service & Miscellaneous	150,698	142,663	135,782	126,982	121,825	5.60%	30.10%
Hotel & Other Lodging Facilities	8,166	8,179	8,409	8,182	8,215	-0.20%	2.30%
Personal Services	4,444	4,302	4,185	4,062	3,939	3.30%	16.20%
Business Services	29,823	28,464	24,891	21,850	20,029	4.80%	67.80%
Amusement & Recreation Services	7,147	6,729	6,897	6,184	6,241	6.20%	22.40%
Health Services	38,133	35,822	34,205	33,598	31,845	6.50%	23.50%
Hospitals	12,977	11,735	11,191	10,924	10,480	10.60%	27.90%
Engineering Management Services	19,166	17,941	16,454	15,706	14,906	6.80%	31.10%
Government	110,416	108,214	103,085	102,624	99,278	2.20%	12.90%
Federal Government	13,163	13,428	12,836	12,799	12,705	-2.00%	-0.60%
State & Local Government	97,253	94,785	90,249	89,825	86,573	2.60%	15.10%
State Government	28,730	28,154	27,637	26,968	25,656	2.00%	11.70%
Education	13,424	13,050	12,689	12,469	11,960	2.90%	10.50%
Administration	15,306	15,104	14,948	14,499	13,696	1.30%	12.70%
Local Government	68,523	66,632	62,612	62,857	60,917	2.80%	16.50%
Education	38,460	37,574	36,675	35,449	34,933	2.40%	14.50%
Administration	30,063	29,059	25,937	27,408	25,984	3.50%	19.30%
*Preliminary Estimate							
**Estimates include all full- or part-time wage and salary workers who worked or received pay in the following industry groups during the pay period ending the 12th of the month.							
Source: Department of Labor							

TABLE 15

State of Idaho					
Non-Agricultural Wage & Salary Employment - By Place of Work					
	December 2001	November 2001	December 2000	Percent Change Last Month	Percent Change Last Year
Total Non-Agriculture Wage & Salary Employment**	570,400	573,200	569,600	-0.5%	0.1%
GOODS-PRODUCING INDUSTRIES	111,400	114,000	114,600	-2.3%	-2.8%
<i>Mining</i>	1,800	1,900	2,500	-5.3%	-28.0%
Metal Mining	700	700	1,200	0.0%	-41.7%
<i>Construction</i>	35,800	37,700	35,600	-5.0%	0.6%
<i>Manufacturing</i>	73,800	74,400	76,500	-0.8%	-3.5%
Durable Goods	45,200	45,600	47,500	-0.9%	-4.8%
Lumber & Wood Products	10,300	10,600	11,400	-2.8%	-9.6%
Logging	2,300	2,500	2,000	-8.0%	15.0%
Sawmills & Planing Mills	3,500	3,500	4,400	0.0%	-20.5%
Wood Buildings & Mobile Homes	900	900	1,000	0.0%	-10.0%
Other Lumber & Wood Products	3,600	3,700	3,900	-2.7%	-7.7%
Store, Clay, Glass & Concrete Products	1,300	1,300	1,500	0.0%	-13.3%
Fab. Structure Metal Products	3,000	3,000	3,000	0.0%	0.0%
Industrial & Commercial Machinery	9,700	9,600	10,500	1.0%	-7.6%
Electric & Electronic Equipment & Supplies	15,200	15,200	15,100	0.0%	0.7%
Transportation Equipment	2,100	2,200	2,200	-4.5%	-4.5%
Other Durable Goods	3,600	3,700	3,700	-2.7%	-2.7%
Nondurable Goods	28,600	28,800	29,000	-0.7%	-1.4%
Food & Kindred Products	16,800	17,000	17,000	-1.2%	-1.2%
Canned, Frozen & Preserved Foods	9,400	9,300	9,300	1.1%	1.1%
Paper & Allied Products	2,200	2,200	2,200	0.0%	0.0%
Printing, Publishing & Allied Products	5,400	5,400	5,600	0.0%	-3.6%
Chemicals & Allied Products	2,100	2,100	2,300	0.0%	-8.7%
Other Nondurable Goods	2,100	2,100	2,000	0.0%	5.0%
SERVICE-PRODUCING INDUSTRIES	459,000	459,200	455,000	0.0%	0.9%
<i>Transportation, Communication & Public Utilities</i>	29,400	29,500	28,100	-0.3%	4.6%
Transportation	18,400	18,500	17,500	-0.5%	5.1%
Railroad	1,400	1,400	1,400	0.0%	0.0%
Motor Freight Transportation & Warehousing	10,900	11,000	10,200	-0.9%	6.9%
Communication	6,900	6,900	6,700	0.0%	3.0%
Electrical, Gas & Sanitary Services	4,100	4,100	3,900	0.0%	5.1%
<i>Trade</i>	143,100	142,600	147,800	0.4%	-3.2%
Wholesale Trade	32,100	32,000	33,900	0.3%	-5.3%
Durable Goods	15,000	15,000	15,900	0.0%	-5.7%
Nondurable Goods	17,100	17,000	18,000	0.6%	-5.0%
Retail Trade	111,000	110,600	113,900	0.4%	-2.5%
Bldg Materials, Hardware, Garden Supplies, etc.	6,300	6,300	6,500	0.0%	-3.1%
General Merchandise Stores	14,500	14,600	15,400	-0.7%	-5.8%
Food Stores	19,200	19,200	20,200	0.0%	-5.0%
Automotive Dealers & Gasoline Service Stations	12,400	12,400	12,000	0.0%	3.3%
Eating & Drinking Places	37,700	37,600	37,800	0.3%	-0.3%
<i>Finance, Insurance & Real Estate</i>	24,200	24,000	23,800	0.8%	1.7%
Banking	7,300	7,200	7,300	1.4%	0.0%
<i>Services</i>	150,200	150,300	145,400	-0.1%	3.3%
Hotel & Other Lodging Facilities	7,600	7,400	7,800	2.7%	-2.6%
Personal Services	4,500	4,400	4,300	2.3%	4.7%
Business Services	30,800	30,600	30,700	0.7%	0.3%
Amusement & Recreation Services	6,800	6,500	6,400	4.6%	6.3%
Health Services	38,600	38,300	36,600	0.8%	5.5%
Hospitals	13,100	13,000	11,800	0.8%	11.0%
Engineering Management Services	18,500	18,900	18,500	-2.1%	0.0%
<i>Government</i>	112,100	112,800	110,000	-0.6%	1.9%
Federal Government	12,300	12,700	12,900	-3.1%	-4.7%
State & Local Government	99,800	100,100	97,100	-0.3%	2.8%
State Government	29,700	29,900	28,700	-0.7%	3.5%
Education	15,000	15,000	14,100	0.0%	6.4%
Administration	14,700	14,900	14,500	-1.3%	1.4%
Local Government	70,100	70,200	68,500	-0.1%	2.3%
Education	40,900	41,100	39,600	-0.5%	3.3%
Administration	29,200	29,100	29,000	0.3%	0.7%
*Revised Estimate					
Estimates include all full- or part-time wage and salary workers who worked for or received wages in the pay period including the 12th of the month.					
Prepared by Research & Analysis in cooperation with the U.S. Bureau of Labor Statistics.					

TABLE 16
State of Idaho
Agricultural Employment Estimates

	December 2001	November 2001	December 2000	Percent Change	
				From Last Month	From Last Year
Total Agricultural Employment	28,360	32,150	27,910	-11.8%	1.6%
Operators & Unpaid Family	9,420	9,680	9,420	-39%	0.0%
Hired Workers	18,940	22,470	18,490	-15.7%	2.4%

Source: Idaho Department of Employment, Research & Analysis Bureau

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TABLE 17
Idaho's Largest Employers (Excluding Government)

<u>FIRM NAME</u>	<u>DESCRIPTION</u>	<u>RANGE</u>
Albertson's, Inc.	Food Retailer	Over 5,000
Bechtel B & W Idaho*	Nuclear Eng/Enviro Research	Over 5,000
Micron Technology	Memory Devices/Semiconductors	Over 5,000
Hewlett Packard Company	Laser Printers	3,000-5,000
J.R. Simplot Company	Food Proc., Fertilizer, Chem., Mfg.	3,000-5,000
Fred Meyer Inc.	Department Store/Food Retailer	1,500-3,000
Idaho Power Company/IdaCopr	Electric Power Generator/Transmitter	1,500-3,000
Potlatch Corporation	Paper and Wood Products Manufacturer	1,500-3,000
St. Alphonsus Regional Medical Center	Health Care Provider	1,500-3,000
St. Lukes Reg. Med. Ctr./Mtn Sts. Tumor Institute	Health Care Provider	1,500-3,000
Wal Mart	Department Store	1,500-3,000
Wells Fargo	Banking Service Provider	1,500-3,000
Amalgamated Sugar Company	Food Processor	1,000-1,500
AMI Semiconductors, Inc.	Semiconductors	1,000-1,500
Basic American Foods, Inc.	Food Processor	1,000-1,500
Boise Cascade Corporation	Wood Products and Paper Manufacturer	1,000-1,500
Direct TV	Call Center	1,000-1,500
Eastern Idaho Regional Medical Center	Health Care Provider	1,000-1,500
Hagadone Corporation	Hotel/Restaurant Manager/Publishing	1,000-1,500
K Mart Corporation	Department Store	1,000-1,500
Kootenai Medical Center	Health Care Provider	1,000-1,500
Lamb-Weston, Inc.	Food Processor	1,000-1,500
Melaleuca, Inc.	Cosmetics, Vitamins, Soups	1,000-1,500
Micronpc.com (Micron Electronics, Inc.)	Computer Manufacturing & E-Services	1,000-1,500
Sear's Boise Reg. Credit Card Operations Center	Credit Call Center	1,000-1,500
Shopko Stores, Inc.	Department Store	1,000-1,500
Sun Valley Company	Recreation/Hotel Manager/Real Estate Developer	1,000-1,500
US Bancorp (US Bank)	Banking Service Provider	1,000-1,500
Union Pacific Railroad	Rail Transporter	1,000-1,500
Argonne National Laboratory	Nuclear Researcher	500-1,000
Armour Fresh Foods, Inc.	Food Processor	500-1,000
Artco-Art Porter	Printer	500-1,000
Bannock Regional Medical & Geriatric Center	Health Care Provider	500-1,000
Blount, Inc. (Omark)	Ammunition Manufacturer	500-1,000
Blue Cross of Idaho health Service	Insurance Services Provider	500-1,000
Coldwater Creek Inc.	Retail Mail-Order Seller	500-1,000
Evangelical Lutheran Good Samaritan Society	Health Care Provider	500-1,000
Intermountain Healthcare, Inc.	Health Care Services Manager	500-1,000
JC Penney Co., Inc.	Department Store	500-1,000
Jibil Circuit, Inc.	Printed-Circuit Assembly	500-1,000
Key Bank of Idaho	Banking Service Provider	500-1,000
Kimball International/Harpers	Furniture Manufacturer	500-1,000
Kit Manufacturing Co., Inc.	Trailer Manufacturer	500-1,000
Magic Valley Reg. Medical Center	Health Care Provider	500-1,000
McCain Foods USA	Food Processor	500-1,000
McDonald's-Darmody Enterprises	Quick-Service Restaurant	500-1,000
MCMs	Assembly and Fabricating Services	500-1,000
Mercy Medical Center	Health Care Provider	500-1,000
Nez Perce Tribe	Business Services Management	500-1,000
Nonpareil Corporation	Food Processor/Distributor	500-1,000
Qwest**	Communications Technology Provider	500-1,000
Rite-Aid Drug Store	Department/Drug Store	500-1,000
Sears Roebuck and Company	Department Store	500-1,000
St. Joseph's Hospital, Inc.	Health Care Provider	500-1,000
The Bon Inc. (Allied Stores)	Department Store	500-1,000
United Parcel Service	Package Deliverer	500-1,000
Walmart/WINCO, Inc.	Food Retailer	500-1,000
Washington Group International***	Construction/Engineering Contractor	500-1,000
Woodgrain Millwork, Inc.	Wood Products Manufacturer	500-1,000

Source: Idaho Departments of Commerce & Labor & Human Resources Departments of some firms

*Bechtel B&W Idaho is the prime contractor at INEEL ** Formerly US West Communications ***Formerly Morrison Knutsen

TABLE 18
State of Idaho
Comparison of Idaho and National Average Annual Wage

Calendar Year	Idaho Average Annual Wage	National Average Annual Wage
1988	\$18,337	\$23,314
1989	18,892	24,070
1990	19,760	25,178
1991	20,556	26,089
1992	21,477	27,466
1993	21,963	27,872
1994	22,723	28,358
1995	23,620	29,224
1996	24,110	30,325
1997	24,811	31,701
1998	25,825	33,317
1999	26,975	34,695
2000	28,654	36,713
2001	29,592	38,557

Source: Idaho Division of Financial Management, DRI*WEFA

TABLE 19
State of Idaho
Population Trends
Idaho's Population Base

1988	985,664
1989	994,416
1990	1,012,348
1991	1,041,316
1992	1,071,685
1993	1,108,768
1994	1,145,140
1995	1,177,322
1996	1,203,083
1997	1,228,520
1998	1,252,330
1999	1,275,674
2000	1,299,258
2001	1,321,006

APPENDIX B

PLAN OF FINANCING

STATE OF IDAHO
TAX ANTICIPATION NOTES, SERIES 2002
PRINCIPAL AMOUNT \$350,000,000

RON G. CRANE, the duly elected, qualified, and acting Treasurer of the State of Idaho, hereby certifies as follows:

ARTICLE I

DEFINITIONS AND PURPOSE

Section 1.1: DEFINITIONS

As used in this document, the following terms shall have the following definitions:

Act means Title 63, Chapter 32, Idaho Code, pursuant to which the Notes are authorized, issued, and sold.

Authenticating and Paying Agent means a national bank doing business in New York, New York, appointed by the State Treasurer pursuant to Section 3.5 of this Plan in the event that Certificated Notes are issued.

Beneficial Owner(s) means the owners or Holders of Notes whose ownership is recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries in the Book-Entry-Only System of the Depository.

Board of Examiners means the State Board of Examiners created pursuant to Article IV, Section 18, Idaho Constitution, and Chapter 20, Title 67, Idaho Code.

Book-Entry-Only System means the system of recordation of ownership of the Notes on the books of the Depository pursuant to Article III of this Plan.

Certificated Note(s) means a Note or Notes evidenced by a printed certificate or certificates in the event that the Book-Entry-Only System is discontinued.

Code means the Internal Revenue Code of 1986, as amended.

Depository means The Depository Trust Company, New York, New York, its successor corporation, or such other depository as may subsequently be designated by the Treasurer.

Escrow Agent means U.S. Bank National Association, Salt Lake City, Utah, as escrow agent for the Note Payment Account designated pursuant to Section 2.6 of this Plan, and as paying agent for the Notes, so long as the Notes are issued in book-entry-only form, designated pursuant to Section 3.1 of this Plan.

Escrow Agreement means the escrow agreement between the State Treasurer and the Escrow Agent substantially in the form of Exhibit "E" which is annexed hereto and by reference made a part of this Plan.

Fiscal Year means the 2002-2003 fiscal year of the State, commencing on July 1, 2002, and ending on June 30, 2003.

General Fund means the general fund of the State.

General Tax Revenues means income and revenue from taxes, whether specific, ad valorem, excise, income, franchise, or license.

Global Note(s) means the typewritten Note or Notes in the aggregate principal amount of the Notes, dated as of the date of delivery of the Notes, and registered in the name of the Nominee.

Governor means the Governor of the State of Idaho.

Holder or Holders means (i) so long as the Book-Entry-Only System is in effect, the Beneficial Owners, or (ii) in the event that the Book-Entry-Only System is discontinued, the holders of Certificated Notes.

Letter of Representations means the Blanket Issuer Letter of Representations between the State Treasurer and the Depository, relating to the Book-Entry-Only System, substantially as set forth in Exhibit "D" which is annexed hereto and by reference made a part of this Plan.

Nominee means Cede & Co. as nominee for the Depository, or such nominee as the Depository may substitute therefor.

Note Payment Account means the "Tax Anticipation Notes, Series 2002, Note Payment Account" within the Tax Anticipation Note Redemption Fund of the State created by Section 63-3203, Idaho Code, established pursuant to Section 2.6 of this Plan.

Notes means the State of Idaho Tax Anticipation Notes, Series 2002, issued in the principal amount of \$350,000,000.

Official Statement means the disclosure statement relating to the Notes, jointly approved by the State Treasurer and the Underwriter, and includes the Preliminary Official Statement.

Participant or Participants means banks and broker-dealer participants and correspondents, including indirect participants, that are related to entries on the Book-Entry-Only System of the Depository.

Plan means this Plan of Financing, dated June 19, 2002, authorizing the issuance, sale, and delivery of the Notes.

Preliminary Official Statement means the preliminary disclosure statement relating to the Notes, jointly approved by the State Treasurer and the Underwriter.

Purchase Contract means the Note Purchase Contract, dated June 17, 2002, between the State and the Underwriter, providing for the sale of the Notes, substantially in the form of Exhibit "A" which is annexed hereto and by reference made a part of this Plan.

Secretary of State means the Secretary of State of the State of Idaho.

State means the State of Idaho.

State Controller means the State Controller of the State of Idaho.

State Treasurer means the State Treasurer of the State of Idaho.

Underwriter means Banc of America Securities LLC, Seattle, Washington.

Section 1.2: PURPOSE

The Notes are being issued pursuant to the Act for the purpose of providing funds for the payment of current expenses in anticipation of the receipt of General Tax Revenues for the Fiscal Year. This document shall constitute the Plan of Financing (the "Plan") of the State Treasurer required pursuant to Section 63-3202(2), Idaho Code, and the order of the State Treasurer required by Section 63-3202(3), Idaho Code, in connection with the issuance, sale, and delivery of the Notes.

ARTICLE II

THE NOTES

Section 2.1: The Notes are to be issued, sold, and delivered in accordance with the Act and the Purchase Contract. The maximum principal amount of Notes which may be outstanding at any one time under this Plan is \$350,000,000. In accordance with the March 12, 2002, approval of the Board of Examiners for the issuance of not to exceed \$1,350,360,000 Tax Anticipation Notes, the State Treasurer reserves the right to file one or more additional Plans of Financing under the authority of the Act during the Fiscal Year.

Section 2.2: The Notes shall be issued in accordance with the Book-Entry-Only System described hereinafter in the form of not more than two typewritten Notes (the "Global Notes") in the aggregate principal amount of \$350,000,000, shall be dated as of their date of delivery, shall mature on June 30, 2003, shall bear interest from their date at a fixed rate of 3.00% per annum until paid, calculated on the basis of a thirty-day month and a 360-day year, such interest being payable at maturity, and shall be substantially in the form of the Global Note which is annexed hereto as Exhibit "B" and by reference made a part hereof. The Notes shall not be subject to redemption prior to their stated maturity.

Section 2.3: The Notes shall be issued in anticipation of the General Tax Revenues to be received by the State during the fourth quarter of the Fiscal Year, and the Notes shall be secured by an irrevocable pledge of the income and revenues from the taxes so anticipated. Each Note so issued shall recite that it is a valid and binding obligation of the State, and that the faith and credit of the State is solemnly pledged for the payment of the principal thereof and interest thereon in accordance with its terms and the Constitution and laws of the State.

Section 2.4: The Notes shall be registered prior to their issuance in the office of the State Controller. A legend to that effect shall appear on the Global Notes and, in the event that the Book-Entry-Only System is discontinued, on each Certificated Note.

Section 2.5: The Notes shall be payable in accordance with the provisions of the Book-Entry-Only System as set forth in

Article III of this Plan. In the event that the Book-Entry-Only System is discontinued and Certificated Notes are issued, the Notes shall be payable, principal and interest, on their maturity date, at the office of the State Treasurer, at Boise, Idaho, or, at the option of the Holders of the Certificated Notes, at the principal corporate trust office of the Authenticating and Paying Agent, New York, New York, which is hereby designated, pursuant to Section 67-1221, Idaho Code, as alternative fiscal agent for the State and alternative place of payment of principal of and interest on the Certificated Notes.

Section 2.6: There is hereby established within the Tax Anticipation Note Redemption Fund of the State, created by Section 63-3203, Idaho Code, the Tax Anticipation Notes, Series 2002, Note Payment Account (the "Note Payment Account") for the payment of the principal of and interest on the Notes. The Corporate Trust Department of U.S. Bank National Association, Salt Lake City, Utah, is hereby appointed as escrow agent (the "Escrow Agent") in accordance with the Escrow Agreement which is annexed hereto as Exhibit "E" and by reference made a part of this Plan. The Note Payment Account shall be held and invested at the direction of the State Treasurer by the Escrow Agent pursuant to the provisions of the Escrow Agreement.

Section 2.7: The Notes are hereby sold to the Underwriter in accordance with the Purchase Contract, at a purchase price of \$354,441,500 plus accrued interest, if any.

Section 2.8: As provided in Section 63-3202(b), Idaho Code, immediately upon the issuance and sale of the Notes the State Treasurer shall cause the proceeds of the sale of the Notes to be credited to the General Fund.

ARTICLE III

THE BOOK-ENTRY-ONLY SYSTEM

Section 3.1: The Notes shall initially be issued in the form of fully registered Notes in book-entry-only form (the "Book-Entry-Only System"), with no Notes being made available to Beneficial Owners thereof, as provided in the Letter of Representations between the State Treasurer and the Depository. So long as the Notes are issued in book-entry-only form, the State shall recognize the Depository or its Nominee as the owner of the Notes for all purposes. Beneficial ownership interests in the Notes will be available through Participants in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. By purchasing a beneficial interest therein, a Beneficial Owner shall be deemed to have waived the right to receive a Certificated Note, except as provided hereinafter.

Ownership of the Notes shall be recorded through entries on the books of banks and broker-dealer participants and correspondents (the "Participants") that are related to entries on the Book-Entry-Only System of the Depository. The Notes shall be initially issued in the form of not more than two typewritten Notes (the "Global Notes"). The Global Notes shall be executed by the manual signature of the Governor, countersigned by the manual signature of the State Treasurer, and attested by the manual signature of the Secretary of State. The Global Notes shall be registered in the name of the Nominee and, upon payment therefor in accordance with the terms and conditions of the Purchase Contract, including accrued interest, if any, to delivery, shall be lodged with the Depository until maturity of the Notes. The Escrow Agent shall be the paying agent for the Notes. The Escrow Agent shall remit payment for the principal of and interest on the Notes at maturity, in lawful money of the United States, directly to the Depository, so long as Depository or its Nominee is the registered owner of the Notes, for distribution to the Beneficial Owners of the Notes by recorded entry on the books of the Depository.

Section 3.2: With respect to Notes registered in the name of the Nominee, the State shall have no responsibility to any Participant, or to any Beneficial Owner on behalf of which such Participant acts as agent, with respect to:

- (i) the sending of transaction statements, or maintenance, supervision, or review of records of the Depository;
- (ii) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Notes;
- (iii) the delivery to any Participant, the Beneficial Owners, or any other person of any notice with respect to the Notes;
- (iv) the payment to any Participant, Beneficial Owner, or any other person other than the Depository or its Nominee of any amount with respect to principal of or interest on the Notes;
- (v) any consent given or other action taken by the Depository or its Nominee as owner of the Notes.

Section 3.3: The State shall cause to be paid, by the Escrow Agent, as set forth in the Escrow Agreement, on or before the date of maturity of the Notes, all of the principal of and interest on the Notes to the Nominee, and such payment shall be valid and effective fully to satisfy and discharge the State's obligation to any Participant, Beneficial Owner, or other person with respect to payment thereof to the extent of the sum or sums so paid. Transfer of principal and interest payments on the Notes shall be the responsibility of the Depository and its Participants, and the State shall have no liability therefor.

Section 3.4: Upon delivery by the Depository to the State of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Plan shall be deemed to refer to such new nominee.

Section 3.5: (A) In the event that either the State or the Depository shall determine to discontinue the services as set forth in the Letter of Representations, and the State elects not to designate another qualified securities depository to replace the Depository, then the State will discontinue the use of the Book-Entry-Only System and will cause to be issued Certificated Notes to the Beneficial Owners as Holders of the Notes. The Certificated Notes shall be issued in bearer form in the aggregate principal amount of \$350,000,000, shall be dated as of the date of delivery of the Global Notes, shall mature on June 30, 2003, shall bear interest (which shall include interest accrued during the time the Notes were in book-entry-only form) from their date at the same rate as the Global Note, payable at maturity, and shall be substantially in the form of the Note annexed hereto as Exhibit "C."

(B) Certificated Notes shall be executed by the facsimile signature of the Governor, countersigned by the facsimile signature of the State Treasurer, and attested by the facsimile signature of the Secretary of State. The State Treasurer will designate an Authenticating and Paying Agent for the Certificated Notes. Only such Certificated Notes as shall bear thereon a certificate of authentication in the form set forth on Exhibit "C," manually executed by an authorized officer of the Authenticating and Paying Agent, shall be valid for any purpose. Such certificate of authentication shall be conclusive evidence that the Certificated Notes so authenticated have been duly executed, authenticated, and delivered hereunder and shall be entitled to the benefits of this Plan. The Authenticating and Paying Agent shall be responsible for its representations contained in the certificate of authentication on the Certificated Notes. The Certificated Notes shall be payable in the manner set forth in Section 2.5 hereinabove.

(C) In the event that Certificated Notes are issued, the State shall cause the Beneficial Owners to be notified of the discontinuance of the Book-Entry-Only System, issuance of Certificated Notes, and the appointment of the Authenticating and Paying Agent, and, within fifteen (15) days of the maturity date of the Notes, cause notice of the payment date and place to be published once in a financial journal published in New York, New York.

ARTICLE IV

COVENANTS

Section 4.1: All income and revenues from the taxes specified in Section 2.3 hereof, collected during the fourth quarter of the Fiscal Year (save and except only those revenues required, pursuant to Section 63-3067, Idaho Code, to be deposited into the "State Refund Account" and, pursuant to Section 63-3638, Idaho Code, to be deposited into the "Sales Tax Refund Tax Account"), shall be deposited into the Note Payment Account as received until such time as the moneys and investment earnings accumulated therein shall be fully sufficient to pay the principal of the Notes, and the interest thereon, at maturity. All moneys in the Note Payment Account shall be invested only in the following investments permitted by Section 67-1210, Idaho Code: (i) direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America or any agency thereof, or (ii) fully collateralized time certificates of deposit or fully collateralized repurchase agreements. No moneys in the Note Payment Account shall be invested in obligations permitted under paragraphs (c), (g), (h), or (k) of Section 67-1210, Idaho Code. All moneys in the Note Payment Account shall be invested so as to mature on or before June 30, 2003. Nothing herein shall be deemed as prohibiting the State Treasurer from depositing any income and revenues from taxes received prior to the fourth quarter of the Fiscal Year or other available revenues into the Note Payment Account. In accordance with the Act, the funds so accumulated in the Note Payment Account are pledged, appropriated, and set aside solely for such purpose. Any moneys remaining in the Note Payment Account after payment in full of all principal of and interest on the Notes at maturity shall be transferred to the General Account of the State.

Section 4.2: In the event that there are not on deposit in the Note Payment Account, on or before June 30, 2003, tax revenues fully sufficient, together with investment earnings earned or to be earned prior to the date of maturity of the Notes, to pay the principal of and interest on the Notes at

maturity, then the State Treasurer shall, on or before June 30, 2003 (1) transfer to the Note Payment Account any moneys available, as authorized by Section 67-1212(2)(a), Idaho Code, in an amount sufficient, together with revenues and investment earnings on deposit in the Note Payment Account, to pay the principal of and interest on the Notes at maturity; or (2) take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient, together with all other available revenues and investment earnings, to pay the principal of and interest on the Notes at maturity.

Section 4.3: None of the proceeds of the Notes will be (i) loaned to private persons within the meaning of Section 141(c) of the Code, or (ii) used for any private business use within the meaning of Section 141(b) of the Code. For purposes of the preceding sentence, "private persons" means any person or entity (including the federal government) other than a state or local government unit, and "private business use" means use directly or indirectly in a trade or business carried on by any such private person. Accordingly, the Notes will not be "private activity bonds" within the meaning of Section 141 of the Code. The State will take no action which would cause the Notes to become an item of tax preference for alternative minimum tax purposes.

Section 4.4: The State will comply with the provisions of the Code which are necessary for interest paid on the Notes to be exempt from federal income taxation (except for certain minimum taxes on corporations) and will make no use of the proceeds of the Notes that would result in the interest on the Notes being includable in gross income within the meaning of Section 103(a) of the Code, and in particular will take no action which would cause the Notes to become arbitrage bonds within the meaning of Section 148 of the Code. Prior to the issuance of the Notes, the State Treasurer will execute a Tax Certificate with respect to the Notes, and the State will comply with the provisions thereof.

Section 4.5: The State will calculate its actual cumulative cash flow deficit (within the meaning of Code Section 148(f)(4)(B)(iii)(II)) prior to the maturity of the Notes, and will keep accurate records of all investments of the proceeds of the Notes, including earnings on the proceeds of the Notes, and the expenditure thereof. If by a date which is not later than six months after the date on which the Notes are issued, the actual cumulative cash flow deficit has not equaled or exceeded ninety percent (90%) of the proceeds of the Notes, then (i) the State shall account for the investment of the Gross Proceeds (as described in Section 148(f)(6)(B) of the Code and Section 1.148-

1(b) of the Treasury Regulations) of the Notes and make the required arbitrage rebate payments to the federal government from the proceeds of the Notes or from any other legally available source (provided, however, that this obligation shall not be construed as constituting a debt or liability of the State within the meaning of any constitutional or statutory limitation upon the incurrence of the indebtedness by the State) at the times, upon the terms and conditions, and in the manner specified in Section 148(f) of the Code and the Treasury Regulations promulgated in connection therewith, and (ii) the State shall keep and retain or cause to be kept and retained, until the date six years after the retirement of the last Note, adequate records with respect to the Notes and the investment and expenditure of proceeds thereof to comply with the aforementioned arbitrage rebate requirements, including without limitation a complete list of all investments and reinvestments of Gross Proceeds of the Notes including (a) purchase price of such investments, (b) purchase date, (c) type of security or investment, (d) accrued interest paid on the investment (if any), (e) interest rate (if applicable), (f) dated date (if applicable), (g) principal amount, (h) date of maturity, (i) interest payment dates (if applicable), (j) date of liquidation, (k) amounts received upon liquidation of such investments, and (l) the market value of such security or investment on the date it became Gross Proceeds of the Notes and on the date of the retirement of the last Note if then held by the State.

In addition, the State will not enter into any transaction or cause any transaction to be entered into which reduces the amount which may be required to be paid to the federal government pursuant to the arbitrage rebate requirements specified above, because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Notes not been relevant to either party.

The State represents that it is legally authorized to pay rebates to the United States as required by Section 148(f) of the Code, and that its expected cumulative cash flow deficit exceeds ninety percent of the proceeds of the Notes.

Section 4.6: The State will comply with the applicable requirements of Rule 15c2-12(b)(5)(i)(C) of the U.S. Securities and Exchange Commission with respect to the disclosure of certain material events with respect to the Notes, and hereby covenants and agrees with and for the benefit of the Holders of the Notes to provide, in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the state information repository for the State of Idaho, notice of any of

the following events with respect to the Notes, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Notes; (7) modifications to rights of Note Holders; (8) Note calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes; and (11) rating changes. Holders of the Notes may enforce specific performance of the foregoing undertakings by any available judicial proceeding; provided, however, that the failure of the State to perform such undertakings shall not constitute an event of default with respect to the Notes, nor shall any such failure render the State liable for monetary damages to any Holder or transferee of the Notes.

ARTICLE V

MISCELLANEOUS

Section 5.1: In connection with the public offering of the Notes by the Underwriter, the use of a Preliminary Official Statement and a final Official Statement is hereby authorized. Pursuant to Securities and Exchange Commission Rule 15c2-12, the State deems the Preliminary Official Statement as final as of its date except for the omission of information dependent upon the pricing of the Notes, such as offering price, interest rate, selling compensation, delivery date, or other terms dependent upon the foregoing matters. The State hereby agrees to deliver or cause to be delivered, within seven (7) business days after any final agreement to purchase the Notes copies of a final Official Statement in sufficient quantity to comply with paragraph (b)(4) of Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board.

Section 5.2: Any notices shall be given as follows: If to the State, to: State Treasurer, State Capitol Building, Boise, Idaho 83720; if to the Underwriter, to: Banc of America Securities LLC, 800 5th Avenue, 34th Floor, Seattle, Washington, 98104 Attn: Northwest Public Finance; if to the Depository, to: The Depository Trust Company, 55 Water Street, New York, New York 10041; if to the Escrow Agent, to U.S. Bank National Association, Attn: Corporate Trust Department, 15 West South Temple, Suite 200, Salt Lake City, Utah 84101.

Section 5.3: IN WITNESS WHEREOF, I have hereunto
subscribed my official signature at Boise, Idaho, as of the 19
day of June, 2002.

—

Ron G. Crane
State Treasurer

FILED in the Office of the Governor of the State of Idaho
this 19 day of June, 2002.

—

By _____
Office of the Governor

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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MOORE SMITH BUXTON & TURCKE, CHARTERED

ATTORNEYS AND COUNSELORS AT LAW

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JOHN J. M

* Also admitted
† Also admitted in

‡ Also admitted in So
+ Also admitted in N

July 1, 2002

The Hon. Ron G. Crane
State Treasurer
Statehouse Room 102
Boise, Idaho 83720

Banc of America Securities LLC
800 5th Avenue, 34th Floor
Seattle, WA 98014

Re: State of Idaho Tax Anticipation Notes, Series 2002,
in the Principal Amount of \$350,000,000.

Dear Mr. Crane, Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the State of Idaho (the "State") of its Tax Anticipation Notes, Series 2002 (the "Notes"), which are dated July 1, 2002, mature on June 30, 2003, bear interest at the rate of three and no hundredths percent (3.00%) per annum, and are issued in the aggregate principal amount of \$350,000,000.

The Notes have been sold to Banc of America Securities LLC, pursuant to a Note Purchase Contract dated as of June 17, 2002. We refer you to the Plan of Financing executed on June 19, 2002, pursuant to which the Notes are issued, for a description of the purpose for which the Notes are issued, the security for the Notes, the manner in which the principal of and interest on the Notes are payable, and all other details of the Notes.

We have relied upon the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the

same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We have examined the Constitution and laws of the State of Idaho, including Title 63, Chapter 32, Idaho Code, and such other laws, proceedings (prepared, in part, by us) relating to the issuance and sale of the Notes, and other documents as we have deemed necessary to render this opinion. This opinion is dated as of the date of issuance and delivery of the Notes.

Based upon our examination, we are of the opinion, under existing law and as of the date hereof:

1. The State has full power and authority under the Constitution and statutes of the State to borrow money for the purposes set forth in the Plan of Financing, to issue and sell the Notes, and to enter into and perform its obligations under the Plan of Financing and the Note Purchase Contract.

2. The Notes have been legally authorized, issued, and sold under and pursuant to the Constitution and laws of the State of Idaho and constitute valid and legally binding obligations of the State, payable from the "Tax Anticipation Notes, Series 2000, Note Payment Account" established by the Plan of Financing within the Tax Anticipation Note Redemption Fund of the State. The faith and credit of the State is pledged for the payment of the principal of and interest on the Notes.

3. The Plan of Financing and the Note Purchase Contract have been duly and validly authorized, executed, and delivered by the State, and, assuming the due and proper authorization, acceptance, and execution by the other parties thereto to the extent applicable, will constitute valid and legally binding obligations of the State, enforceable in accordance with their respective terms.

4. Except as discussed below, the interest on the Notes is excludable from the gross income of the owners for federal income tax purposes. We are further of the opinion that the interest will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the State with, certain representations and covenants regarding the use and investment of the proceeds of the Notes. Under the Code, the State is required to comply

with certain requirements subsequent to the issuance of the Notes to maintain the exclusion of interest from gross income for federal income tax purposes, including requirements relating to the application and investment of the proceeds of the Notes and use of facilities financed with such proceeds. The State has covenanted to comply with these requirements, and the opinion expressed in this paragraph 4 hereof assumes such compliance. However, we have not undertaken and do not undertake to monitor compliance by the State with such requirements; and if the State should fail to comply with such requirements, the interest on the Notes could become includable in gross income for federal and State of Idaho income tax purposes retroactive to the date of issuance of the Notes.

5. Interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the same extent that such interest is excluded from gross income for purposes of federal income taxation.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences arising with respect to the Notes. Owners of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the holders of the Notes may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

Our opinion is limited to matters of Idaho law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

MOORE SMITH BUXTON & TURCKE,
CHARTERED

Michael C. Moore